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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 3 November 5, 1983

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1983

Product	Jan.-Sept. 83	% Jan.-Sept. '82 over Jan-Sept. 1983
Electricity (bil.kw.hrs)	1033.0	104.0
Petroleum (inc. gas condensate (mil. tons)	463	102.0
Natural gas (bil.cu.mtrs)	393	107.0
Coal (mil.tns)	538	99.8
Steel (mil.tns)	114	103.0
Fertilizer (mil.tons)	22.2	109.0
Metal-cutting tools (mil. rubles)	1648.0	105.0
Robots(units)	7.9	206.0
Computer technology(bil.rub)	2.4	113.0
Tractors(1000s)	36.8	103.0
Paper(mil. tons)	4.2	104.0
Cement (mil. tons)	95.7	104.0
Meat(mil.tons)	7.3	109.0
Margerine (1000 tons)	1.1	103.0
Watches (mils.)	52.3	99.2
Radios (mils)	6.9	105.0
Television sets(mils)	6.4	103.0
Automobiles (1000s)	986.0	101.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1983

The most striking thing about the 9 month production figures is that oil porduction rose 4 % in September 1983 compared to September 1982. For the nine months as a whole, production is up 2%, but that reflects the fact that earlier in the year production had stagnated. Certainly output for September must have been very encouraging for the Soviet authorities, and suggests that the Soviet Oil Ministry will have no trouble meeting its target.

Equally encouraging are the figures for electricity production. Production for both September 1983 and for the 9 months as a whole is up 4% compared to the 3% increase reported in our last reporting period, which was for the 8 months of 1983.

The steel figures are not so encouraging. Steel production for the month of September increased somewhat less than 1%. For the 9 months as a whole, steel production is up 3% but that reflects earlier strength. Similarly, meat production was up about 6% for Sept. 1983 although for the 9 months as a whole it was up 9%. As a look at the accompanying table indicates, overall production seems to be continuing at a relatively robust rate for the recent years in the Soviet Union. There is some marginal change but overall it certainly is considerably better than it was last year at this time.

Long-term debt woes face Eastern Europe

By Marshall I. Goldman

COMMENTARY

During the recent meetings of the International Monetary Fund, the world's bankers devoted most of their attention to whether the Latin American countries such as Argentina, Brazil and Mexico could pay their debts. Since the debts of these three countries alone approximate $200 billion, there is plenty to worry about. Not that we need more to worry about these days, but the situation in Eastern Europe in some ways is even more serious.

We have not heard as much about Eastern Europe's economic problems these days because Poland has been relatively calm, and more important, recently released figures about Eastern Europe's convertible currency show an impressive reduction in each of the East European countries in 1982 from what it had been in 1981. For Eastern Europe as a whole (exclusive of the Soviet Union) the total net debt fell from $60 billion in 1981 to $56 billion in 1982. That is still a hefty sum, especially now that we know the Soviet Union is no longer standing over the bloc with a protective economic umbrella.

Soviets have their own troubles

The Soviet Union had provided some help, to Poland, for example. But given that Poland's debt reached about $25 billion in 1981 and that the Soviet Union had its own convertible currency problems, there was only a limited amount of help the Soviet Union could and did provide. But whatever the reason, the Soviet Union's help to Poland proved to be more modest than anticipated. Instead of an umbrella, it offered more of a leaky rain hat. Poland barely escaped bankruptcy.

With such modest Soviet support, it was impressive that the East Europeans were able to reduce their indebtedness at a time when most of the rest of the Third World was falling further and further behind. Yet in the long run, many of the Third World countries, particularly those in Latin America, may actually have a better chance of solving their economic problems.

If all else fails, most of the Latin American and Third World countries have a raw material or agricultural base they can fall back on to generate exports. In contrast, the East Europeans have very little in the way of raw materials to export.

Poland, if it ever resolves its labor tensions, may have some surplus coal it can sell to the hard-currency Western world, but that is about all. Hungary has a modest agricultural surplus, but after the Soviet Union takes what it wants, there is little left over for export to the West. That leaves the East Europeans with only manufactured products and services to sell. Tourism does bring in some money, but industrial exports offer the least promise of all. And that is where the problem is.

In the past, the East Europeans were able to win some customers for their textiles and chemicals because of their low prices. But now even low prices are often not enough inducement. The East Europeans find that more and more of their traditional products do not measure up to the quality or down to the prices of the countries of Southeast Asia and even Latin America.

No success in high technology

Equally serious, they have had almost no success in the area of high technology. Countries such as South Korea and Taiwan are producing products that are by far more sophisticated than those produced in Eastern Europe. Nor is there much evidence that the East Europeans will master the new high technology any time soon. Even Hungary and East Germany, the most industrially advanced of the lot, have made little progress in the high technology field. Their focus remains primarily on heavy industry – the way of the past, not the future.

The gains that came during 1982 therefore, reflect more a tightening of the belt (a reduction in imports) rather than any meaningful increase in exports. But the belt can only be tightened so far, particularly when the Soviets announce that because of their problems, they are reducing their petroleum exports to Eastern Europe 10 percent.

Since the East Europeans (except for Romania) depend on the Soviet Union for almost all of their petroleum, this will cause serious convertible currency strains for those who find it necessary to make up the difference in the spot market. Because the Russian hard-currency balance of trade for the first half of 1983 has also begun to deteriorate, the likelihood is that the Soviets will continue to divert petroleum from Eastern Europe to the convertible currency sales in the West.

With growing import needs, diminishing export opportunities and little likelihood of any major technological breakthrough, it is hard to see how the East Europeans could earn their way in the non-communist world markets. This should necessitate even more belt-tightening that, if not alleviated, may result in political indigestion as well.

Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard University.

THE BALANCE OF TRADE FOR THE FIRST HALF OF 1983

The trade figures for the first half of 1983 are very interesting. The first thing to note is that the overall trade deficit dropped by a small amount from the comparable period of 1982. However, that masks the fact that there were significant changes within that overall hard currency trade balance. The first thing to notice is that exports from the Soviet Union in the first half of 1983 dropped by 100 million rubles. In part that is due to the drop in petroleum prices but it also appears to reflect the fact that there may have been a drop in overall petroleum exports. That seems to be reinforced by a look at import figures published by the OECD. Yet looking at the Soviet figures, there does seem to be some indication that some countries may have increased their energy imports to the Soviet Union, especially Italy and the Netherlands. Perhaps the biggest change is the fact that the Soviets reduced their exports to Germany by over 400 million rubles. Undoubtedly that represents a cut-back in energy exports.

Thus, while overall exports from the Soviet Union in the first half of 1983 were lower than they were for the comparable period of 1982, the Soviet imports from Western Europe and Japan rose by over 700 million rubles. The jump is particularly notable in imports from Germany. However they were also up by about 200 million rubles from Italy. Exports from Japan fell by about 300 million rubles but nonetheless overall Soviet imports from the non-grain producing countries rose by about 700 million rubles. That however was offset by the fact that their grain imports fell sharply in the first half of 1983. Thus, imports from Argentina, Australia, and New Zealand were down. The most notable drop in imports was reflected in imports from the United States, which were about half of what they had been in the preceeding period.

Thus, the Soviets retained basically the same balance of trade deficit but they did that by cutting back sharply on their grain imports which more than offset the fact that they had increased their non-grain imports from Western Europe and Japan.

FEBRUARY CORPORATE SPONSOR SEMINAR ON AGRO-BUSINESS PROSPECTS IN THE U.S.S.R.

Included with this Newsletter is the application form and preliminary version of the program for our Feb. 6th Agrobusiness conference. It will be held at the Harvard Faculty Club as usual. In addition to the people mentioned in the previous program, invitations have been extended to several foreign authorities, including some in Eastern Europe. When we have something confirmed, we will provide the complete information.

ARDEN HOUSE CONFERENCE WILL BE HELD MARCH 23 to MARCH 25th

As mentioned earlier, the date for the Arden House conference is set for March 23-25. Additional information will be provided by the end of the year.

CURRENCY FIGURES

Rubles purchased per 100	Oct. 1982	Sept. 1983	Oct. 1983
Austrian shilling	4.19	4.06	4.16
U.K. pound	126.50	114.87	114.27
W. German mark	29.48	28.53	29.22
U.S. dollar	73.70	76.65	76.00
French franc	10.42	9.48	9.57
Japanese yen	.277	.314	.327
Italian lira	.051	.0478	.0482
Swiss franc	34.55	35.08	36.19

CURRENCY EXCHANGE FIGURES cont'...

The currency exchange rates released by Gosplan for October 1983 reveal that with the exception of the Japanese yen and the Swiss franc, all other currencies shown here have decreased since October 1982. The West German mark, Italian lira and French franc have shown improvement during the last month.

The Russian Research Center held its first Corporate Sponsor seminar of the academic year on Monday, October 17th. The conference, entitled The Soviet Invasion of Afghanistan; The Consequences for Afghanistan and the Soviet Union, presented an international collection of speakers, including Keith Bush of Radio Liberty in Munich, Dr. Sayd Majrooh, Director of Afghan Information Service in Peshawar, Pakistan, Edward Giradet of the Paris Christian Science Monitor, and Charles Dunbar, former charge d'affaires in the U.S. Embassy in Kabul and currently American Ambassador to Qatar. The panel, in its entirety, offered a range of interpretations representing the government and academic communities, as well as private organizations.

The morning panelists considered the Military Situation and the Impact on Afghanistan. Reports, given by Bush, Majrooh, Giradet, Ralph Magnus of the Department of National Security Affairs and Alex Alexiev of the Rand Corporation, focused on the economic/civilian impact of the war for both countries, and on the structure and weaknessess of the two armies. The first afternoon session, entitled The Internal Situation, featured Eden Naby (Harvard affiliate), Louis Dupree of Princeton, Charles Dunbar and Dr. Claude Malurec. This session provided a sociological and anecdotal description of the cultural and religious factors which are of significance in the four year-old war. The highlight of this session, and perhaps of the conference itself, was the eloquent and enlightened speech by Dr. Claude Malurec, Director of Medecins sans Frontieres (Doctors Without Frontiers) concerning the conditions in the Afghan villages. Since their arrival in 1980, the doctors have witnessed the atrocities of the war, and the innovative tenacity of the Afghan people which has enabled them to maintain in the face of enormous odds.

The final afternoon session featured thoughtful discussion of the International Implications of the Afghanistan war. Theodore Eliot, the former Ambassador to Kabul, now Dean of the Fletcher School of Law, Selig Harrison of the Carnegie Endowment for Peace, Zalmay Khalilzad of the Institute of War and Peace Studies, and Thomas Hammond, Professor of History at the University of Virginia, provided various strategies and advice about the war. Although there was some disagreement, especially as concerns the growing disruption caused by Afghani refugees living in Pakistan (and the precarious situation this engenders), the majority of the conference speakers agreed upon the following issues: the freedom fighting guerillas should be given more effective and increased aid;, the United States should continue its support of Pakistan and keep it from becoming destabilized or further jeopardized; and long-term U.S. policy should be to make it necessary for the Soviet Union to increase its occupation in Afghanistan to the point where the costs of maintaining troops outweighs the benefits of occupation. Although no consensus was attempted or reached by this conference, it was generally agreed that the United States and the rest of the world has a larger stake in this war than is generally recognized, and apathy towards what is happening there is potentially damaging on an international scale.

Jean Monahan

COMPUTERS AND COMPUTER SCIENCE IN THE SOVIET UNION -- 2 day seminar presentation by the "Soviet Science and Technology: Eyewitness Accounts" series (MIT and Harvard co-sponsored.) November 18 & 19. Contact Mark Kuchment, Russian Research Center, or Paul Josephson.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly assoc. with the article in question or unless otherwise stated with those of the editor, Marshall I. Goldman.

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BALANCE OF TRADE - 1ST HALF 1980 AND 1981

(Million Rubles)

	Exports From USSR				Imports to USSR			
	1980	1981	1982	1983	1980	1981	1982	1983
Austria	280	392	346	271	160	258	251	380
Belgium	401	249	530	501	176	268	329	305
Great Britain	320	349	416	502	516	631	354	369
Greece	187	350	275	173	44	71	78	93
Denmark	122	74	199	157	39	151	42	42
Spain	104	156	77	148	67	323	101	148
Italy	893	1066	1362	1446	429	498	592	793
Netherlands	567	430	715	895	178	334	217	314
Norway	27	28	37	30	39	58	34	53
Germany	1076	1207	2059	1614	1603	1586	1525	1893
France	930	1082	1168	1140	937	922	727	973
Switzerland	173	90	181	257	205	291	224	211
Sweden	142	93	159	293	132	207	207	145
Japan	471	407	390	388	907	1168	1532	1237
Subtotal:	5693	5973	7914	7815	5432	6733	6213	6956
Sub-Balance of Trade:					+261	-760	+1701	+859
Argentina	20	23	15	15	590	1060	840	798
U.S.A.	87	57	76	132	764	892	1672	878
Canada	15	28	14	19	321	489	554	651
Australia	3	8	6	3	441	381	411	278
New Zealand	1	2	3	1	115	96	166	108
Brazil	12	5	90	6	139	384	275	281
Total:	5831	6096	8118	7991	7802	10035	10131	9950
Balance of Trade:					-1971	-3939	-2013	-1959

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 4 December 5, 1983

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 10 MONTHS OF 1983

Product	Oct. 1983	Jan-Oct. 1983	% Jan.-Oct. 1983 over Jan. - Oct. 1982
Electricity (bil.kw.hrs)	119.0	1152.0	104.0
Petroleum (inc. gas condensate) (mil. tons)	51.6	515.0	101.0
Natural gas (bil.cu.mtrs)	46.7	440.0	107.0
Coal (mil. tons)	58.9	597.0	100.0
Steel (mil. tons)	12.9	127.0	103.0
Fertilizer (mil. tons)	2.4	24.6	110.0
Metal-cutting tools (mil rubles)	176.0	1825.0	106.0
Robots (units)	0.7	8.6	195.0
Computer Tech. (bil. rubles)	0.3	2.7	112.0
Tractors (1000)	45.5	468.0	102.0
Paper (mil tons)	0.5	4.7	103.0
Cement (mil. tons)	10.8	106.0	104.0
Meat (mil. tons)	0.9	7.5	109.0
Margerine (1000 tons)	0.1	1.2	104.0
Watches (mils.)	5.5	57.7	100.3
Radios (mils.)	0.8	7.6	105.0
Television sets (mils.)	0.7	7.1	103.0
Automobiles (1000s)	0.1	1.1	101.0

PRODUCTION FIGURES FOR THE FIRST 10 MONTHS OF 1983

There seem to be a few statistical quirks in the figures for this month compared to last month. If these figures are more than quirks then the Soviets may have some problems ahead of them. The most unusual change is that petroleum production for October 1983 was 1.1 million tons lower than it had been in October 1982. That's a drop of approximately 3%. That may be a sign that the Soviets are having problems. However our readers may remember that in last month's Newsletter oil production rose by 4% in the month of September, 1983 compared to a comparable period in 1982. As a result overall production for the 10 months of 1983 is still higher than it was in the corresponding period last year. That means that production is up by 6 million tons. Unless production should drop again in November and December, the Russians will probably meet their production target for the year. Yet a drop of this magnitude does seem to indicate that something unusual may have happened in October in the oil fields.

In contrast to what seems to be a problem in oil production, coal production seems to have improved from what it had been in September Production in October 1983 was 1.7% higher than it had been in October 1982. For the whole 10 month period production is the same in both years.

Probably the most exciting news to the

Production Figures, continued...

Soviets is that steel production was up 5.7% in October 1983 over October 1982. For the whole ten month period production is up only 3% but the increase in production in October, unless it was a statistical quirk, should please Soviet planners.

Rates of change in industrial production in the months ahead should be watched closely. The next reporting period will mark the completion of a year since Andropov took over. As earlier Newsletters pointed out, production should begin to increase in December 1982. Any jump in production in the months ahead would represent an increase above those higher levels. Presumably that should be a harder level of production to attain. It will be interesting therefore to see whether Andropov can sustain those earlier rates of growth, particularly given the illness which presumably had an impact on his leadership beginning in the last half of 1983.

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THE RUSSIAN RESEARCH CENTER 1983

FEBRUARY CORPORATE SPONSOR SEMINAR ON AGROBUSINESS PROSPECTS IN USSR

Included in this Newsletter is the application form and program for our February 6th Agrobusiness conference. It will be held at the Harvard Faculty Club as usual.

ARDEN HOUSE CONFERENCE TO BE HELD MARCH 23-25, 1984

The Arden House program for this year is set for March 23-25. Additional info-

will be provided by the end of the year.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE SECOND HALF OF 1983

The Soviets continue to generate a trade surplus in dealing with Eastern Europe. The most notable change in 1983 compared to 1982 is the fact that the trade surplus with Poland dropped from 500 million rubles to 200 million rubles. Clearly the Russians have cut back sharply on their help to Poland and are forcing it to bear more of its own burdens.

As for the rest, the only other notable change is Czecholslovakia, which had been running a slight surplus in its trade with the Soviet Union now is running a slight deficit. All the other countries are running deficits except for Rumania, which also had a surplus last year.

(GRAPH ON PAGE 3)

BALANCE OF TRADE FIGURES FOR THE FIRST THREE-QUARTERS OF 1983

As indicated when we discussed the trade figures for the first half of the year, the Soviets seem to be taking a more relaxed attitude toward their foreign trade in 1983 than they did in 1982. They are increasing their imports from Western Europe and apparently not doing much to increase exports, at least in terms of total value. Thus, as a look at the accompanying table indicates, imports from Western Europe rose by a billion rubles. In contrast exports, at least in terms of ruble value, to Western Europe and Japan was just about the same as it had been in the same period. in 1982. That may largely be explained by the fact that the price of petroleum, the major export commodity, has fallen. Thus the Soviets could be increasing their exports of natural gas and petroleum but find that they are obtaining less per B.T.U. of energy exported.

At the same time it is also interesting to note that their grain imports seem to have fallen. While not all the goods imported from countries like the United States, Argentina, Brazil, Australia and New Zealand are agricultural in nature, the majority of them are. Thus the table indicates that exports from almost all the countries but Brazil and Canada were the same or lower than they had been the year before. The biggest drop is in imports from the United States. That is primarily grain, but it also includes other industrial products. In any case imports from those six countries fell by about 800 million rubles.

The biggest increase in non-food imports came from countries like Austria,

cont'...

West Germany, France and the Netherlands. Purchases from Japan evidently dropped by about 400 million rubles during the first three quarters.

CURRENCY FIGURES

Rubles Purchased per 100	Nov.82	Oct.82	Nov. 83
Austrian shilling	4.12	4.16	4.12
U.K. pound	123.23	114.27	115.18
W. German mark	28.87	29.22	29.01
U.S. dollar	74.80	76.00	77.45
French franc	10.24	9.57	9.53
Japanese yen	.279	.327	.330
Italian lira	.052	.0482	.048
Swiss franc	33.59	36.19	35.86

CURRENCY FIGURES: The currency exchange rates released by Gosplan for November 1983 reveal that only the U.K. pound, the U.S. dollar and the Japanese yen have shown improvement during the last month. In a year's time (November 82 — November 83), the West German mark, the U.S. dollar, the Japanese yen and the Swiss franc have all increased, while all others of course show a decrease, with the exception of the Austrian shilling, which has remained the same.

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE SECOND HALF 1983

(in million rubles)

	Exports from U.S.S.R.		Imports to U.S.S.R.	
	1982	1983	1982	1983
Bulgaria	2373	2880	2259	2573
Czechoslovakia	2460	2855	2491	2766
GDR	3093	3321	2902	3228
Hungary	1991	1961	1793	1886
Poland	2363	2595	1880	2382
Romania	660	849	921	891
	12940	14461	12246	13726
Balance of Trade	+694	+735		

BALANCE OF TRADE - 1st NINE MONTHS OF 1983

1981, 1982, 1983

(Million Rubles)

	Exports from the USSR			Imports to the USSR		
	1981	1982	1983	1981	1982	1983
Austria	632	493	413	362	387	622
Belgium	350	774	741	342	421	449
Great Britian	515	622	802	785	531	495
Greece	448	441	343	82	100	128
Denmark	168	268	221	194	53	54
Spain	216	106	229	347	127	182
Italy	1716	2209	2152	757	874	1119
Netherlands	662	1175	1393	385	282	410
Norway	44	59	59	73	56	75
Germany	2501	2982	2498	2099	2201	2685
France	1749	1664	1768	1289	958	1353
Switzerland	183	326	394	390	311	274
Sweden	182	289	491	281	283	191
Japan	589	556	579	1593	2129	1707
Subtotal	10,000	11,964	12,083	8979	8713	9744
Sub-Balance of Trade				+1021	+3251	+2339
Argentina	28	25	19	2069	1133	1153
U.S.A.	105	112	171	1058	1811	1037
Canada	41	17	22	892	945	990
Australia	10	12	5	461	438	321
New Zealand	5	5	1	146	178	145
Brazil	9	122	85	523	356	429
Total	10,198	12,257	12,386	14,128	13,574	13,819
Balance of Trade				-3930	-1317	-1433

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 5 January 7, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 11 MONTHS OF 1983

Product	Nov. 1983	Jan.-Nov. 1983	%Jan.-Nov. 1983 over Jan. - Nov. 1982
Electricity (bil.kw.hrs)	127.0	1279.0	104.0
Petroleum (inc. gas condensate) (mil.tons)	50.0	565.0	100.8
Natural gas (bil.cu.mtr)	46.7	487.0	107.0
Coal (mil. tons)	56.9	654.0	99.8
Steel (mil. tons)	12.6	140.0	103.0
Fertilizer (mil.tons)	2.5	27.1	110.0
Metal-cutting tools (mil. rubles)	176.0	2002.0	106.0
Robots(units)	0.7	9.4	191.0
Computer Tech. (bil.rubles)	0.3	2.9	112.0
Tractors (1000)	4.0	44.9	103.0
Paper (mil.tons)	0.5	5.2	104.0
Cement (mil.tons)	10.7	117.0	104.0
Meat (mil.tns)	0.9	8.4	109.0
Margerine (1000 tons)	0.1	1.3	104.0
Watches(mils.)	5.4	63.2	100.4
Radios(mils.)	0.8	8.4	105.0
Television sets (millions)	0.7	7.8	103.0
Automobiles (1000s)	0.1	1.2	101.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 11 MONTHS OF 1983

The most significant news about the publication of the November 1983 production figures in the Soviet Union is that petroleum production again declined. It is down by one million tons from November 1982. This follows a similar decline in October 1983 compared to 1982. This is the first time in several years that there has been a consecutive decline of two months. The total decline then is about 2.1 million tons from what it had been the previous year. However the results as a whole for the first 11 months show that petroleum production has still increased somewhat from the corresponding months of 1982. For the year as a whole production still is 5 million tons higher than it was earlier. That should carry the Soviets through December even if there is another decline in December, so that for the year as a whole production will exceed that of 1982, and that should allow them to come pretty close to fulfilling their target. The significant thing however is that decline in production is obviously something that must bother them and runs counter to the overall increase in production of most of the rest of their industrial commodities.

As it has been in the past, total coal production is down a bit, but that is only by

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MID-CAREER TRAINING IN SOVIET STUDIES

Included in this Newsletter is an annoucement of our program for Mid-Career Training in Soviet Studies for government and private sector specialists. We are now in the second year of our program, and we are quite pleased with the way it has evolved. Anyone interested in increasing his** competence in the field of Soviet studies should write:

Marshall I. Goldman, Associate Director at the Russian Research Center, Harvard University, 1737 Cambridge St. Cambridge, MA 02138

(** or her)

CURRENCY FIGURES

Rubles Purchased per 100	Dec. 1982	Nov. 1983	Dec. 1983
Austrian shilling	4.21	4.12	4.09
U.K. pound	117.20	115.18	112.70
W. German mark	29.70	29.01	28.73
U.S. dollar	72.30	77.45	79.25
French franc	10.47	9.53	9.41
Japanese yen	.297	.330	.337
Italian lira	.051	.048	.048
Swiss franc	34.87	35.86	35.86

CURRENCY FIGURES: The currency exchange rates released by Gosplan for December 1983 reveal that only the U.S. dollar and the Japanese yen have shown improvement during the last month, while the Italian lira and the Swiss franc have remained the same. The same trend is seen over the last year, with all currencies having decreased in value except for the dollar, the yen and the Swiss franc.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE THIRD QUARTER OF 1983

The trade figures between the Soviet Union and its East European allies indicate that the trend of making the Poles pay for more of their imports continues. The Soviet balance of trade with Poland fell from a trade surplus of 1.2 billion rubles in 1981 to about 400 million rubles. Overall the Soviets continue to maintain a trade surplus with Eastern Europe although it is diminishing in size. That is in accord with Soviet policy. They are not mercantilistic in nature and therefore their goal is to have a trade balance rather than a trade surplus.

The countries of Romania and Hungary have a trade surplus with the Soviet Union. For Hungary it is a bit unusual although the difference is quite small, and largely not of significance.

(See Table on page 3).

INDUSTRIAL PRODUCTION FIGURES, continued....

1 million tons for the whole 11 months. The month of November 1983 compared to 1982, however, is down a bit more. There the drop is again 1 million tons. It's unlikely that there will be an increase in coal production for the whole year, but given the fact that production was falling so rapidly before, the Russians are probably happy with only a one million ton drop.

ARDEN HOUSE CONFERENCE TO BE HELD MARCH 23-25

The Arden House conference program is nearing completion. It should be sent out in mid-January. To give you some idea of what is in store, we already have a commitment from two Congressmen and before the program is completed we hope to be able to announce several Senators as well. Be sure to reserve time on your calendar for our 8th annual session.

We hope to inagurate a new service with this issue of the Newsletter. We expect to be publishing on a regular basis the figures which were previously distributed by the Department of Commerce for US exports and imports with the Soviet Union and Eastern Europe. We are experimenting with the format, but we've enclosed the accompanying 2 tables. What is notable about the results so far is that while American imports from the Soviet Union seem to have risen this year compared to last year, the American exports are almost half of what they

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE THIRD QUARTER OF 1983

(in million rubles)

	Exports from U.S.S.R.			Imports to U.S.S.R.		
	1981	1982	1983	1981	1982	1983
Bulgaria	3225	3546	4141	2751	3245	3720
Czechoslovakia	3108	3728	4270	3060	3513	4018
GDR	4037	4587	4992	3861	4270	4879
Hungary	2445	2711	2951	2413	2710	2957
Poland	3667	3581	3868	2419	2882	3485
Romania	1111	1013	1199	1237	1323	1280
	17,593	19,166	21,421	15,741	17,933	20,339
Balance of Trade	+1852	+1283	+1082			

No real progress under Andropov

By Marshall I. Goldman

For Kremlinologists, this has been an exciting year. We have waited anxiously to see how, if at all, Yuri Andropov's style would differ from Leonid Brezhnev's.

Brezhnev seemed to be the perfect party secretary general. For him, it was party over performance. When a crony was incompetent or dishonest, Brezhnev seldom fired him. For Brezhnev, loyalty was more important than needless firings and administrative reshufflings.

Andropov, it was thought, would be more of an activist, a doer. He would bring back a sense of order and discipline, restructure the economy, break through the stalemate in international relations and set the Soviet Union moving again.

As the year comes to an end, it's time to ask if Andropov has lived up to expectations.

There is no doubt that under Andropov, order and discipline have been improved. The civilian police have been purged, and the KGB has been given a stronger and freer hand to root out corruption. They went right to work. For instance, the devious manager of Moscow's most elegant food store was sentenced to death for misappropriating and rechanneling hard-to-find delicacies. Similarly, Brezhnev's son-in-law, once the deputy minister of the interior, has been booted out of Moscow and reassigned to Murmansk – not exactly Siberia, but a reasonable facsimile.

Crackdown on dissidents

Andropov has also cracked down on dissidents and refusniks. Overt forms of dissidence have all but disappeared. To be a dissident today is to risk police harassment, prison, psychiatric hospitalization or exile. But while some dissidents find themselves being thrown out of the country, the Jewish refusniks, in particular, find themselves locked in. Emigration is the lowest it's been since the 1960s.

But is Andropov anything more than a policemen in a party secretary general's uniform? In other words, can he do anything else than exercise police powers? The evidence so far is not very encouraging.

The Andropov economic boom that developed earlier this year shows no sign of flowering into a meaningful economic reform. The increase in production seems the natural result of the increase in work discipline and better weather. The widely anticipated economic reforms that were awaited with great expectations, have brought instead, great disappointment. At one time, there had been talk of doing away or at least reducing the role of central planning and, instead, increasing the role of the market and even some private activity a la Hungary. Now the reforms that are to be introduced next week appear to be no reform at all. Central planning continues.

On the international scene, the results are similarly mixed. Political tensions in Poland have by no means disappeared, but there does seem to be less threat of explosion. Similarly, Sino-Soviet relations seem a little better. While there is no real love, there is less snarling now.

Growing power of the generals

On the negative side, Andropov seems as bogged down in Afghanistan as Brezhnev was, and he certainly must wonder what ever happened to his friend Yasser Arafat and how all those Soviet troops found their way to Syria. Indeed, as serious as his long-run economic problems are, he probably finds himself most distressed by the military doings of his generals. They seem to have become more and more assertive and not necessarily in ways that have served Soviet interests.

The destruction of the Korean Air Lines Flight 007 stands as the best example of the Soviet military running amok. Nor, upon reflection, was it wise for the Russians to have walked away from the various disarmament talks in Geneva and Vienna. Whatever the provocation, the likelihood is that world opinion will come to perceive that it is Moscow, not Washington, that is not even willing to talk. All of this will be difficult to explain away, particularly since comparable Soviet heavy missiles have long-since been installed on the Soviet border and in Eastern Europe.

But Andropov's more serious problem is probably Andropov himself. If we are speculating about his successor, they must be doing the same thing in Moscow. Nor is all that reassuring when a trio headed by the chief of the Soviet general's staff, Marshal Nikolai, V. Ogarkov is put forward in two extraordinary press conferences to explain Soviet policy. The medium becomes the message, and, whatever the fact, it begins to look more and more like the generals are taking over.

Andropov has done his country a disservice. By falling ill for a four-month stretch, particularly after his two-week disappearance in the late spring and a 1966 heart attack, he undoubtedly must inspire something less than vigor among Soviet officials. They are unlikely to be very venturesome when they must all be waiting for the next illness. But even an early death will not solve the leadership crisis. Andropov has been in power too briefly to set the stage for the next turnover. Thus, whether he lives or dies, Andropov has ill-served his country.

Marshall I. Goldman is a professor of economics at Wellesley College, associate director of the Russian Research Center and author of "USSR in Crisis: The Failure of an Economic System."

NEW SERVICE, continued---------

were previously. These figures also reflect a very sharp drop in trade with the Soviet Union that occured after the imposition of the grain embargo in 1980 after the invasion of Afghanistan. The drop in exports to Eastern Europe did not occur in 1980 but did in 1981, and probably reflects the very severe hard currency difficulties that those countries had at the time. We would welcome any suggestions you have about the proper format for this new statistical information.

CONFERENCE ON AGROBUSINESS IN THE SOVIET UNION----------

This is the last announcement we will be able to make about the forthcoming conference on Agrobusiness. We have enclosed what we anticipate will be the final version of the conference program. It contains a nice mix of business and academic specialists. In fact many of the leading grain dealers in the country will be on the panel and in addition they will be joined in the audience by many of their colleagues. Given the Soviet interest in the American grain and Andropov's emphasis on the new food program in the Soviet Union, it should make for a very interesting day.

U.S. IMPORTS FROM U.S.S.R. AND EASTERN EUROPE

BY PRINCIPALITY COMMODITY GROUPS: IN THOUSANDS OF DOLLARS; CUSTOMS VALUE BASIS
U.S. IMPORTS FOR CONSUMPTION

COMMODITY/COUNTRY	1978	1979	1980	1981	1982	JANUARY-SEPTEMBER--	
						1982	1983
FOOD AND FEEDS:							
USSR	1,782	1,843	1,814	2,675	5,236	4,881	18,335
BULGARIA	1,492	1,539	1,944	2,814	1,907	1,173	1,595
CZECHOSLOVAKIA	4,693	6,718	9,242	10,859	11,237	8,376	5,168
GDR	326	248	192	418	530	455	591
HUNGARY	31,275	33,615	27,775	29,312	29,642	20,885	28,478
POLAND	151,404	168,066	159,198	113,124	75,634	53,940	77,297
ROMANIA	27,859	30,747	26,969	24,588	15,466	12,158	11,819
FUELS:							
USSR	43,642	16,113	11,232	184,795	18,356	18,356	49,817
BULGARIA	0	0	1	0	0	0	0
CZECHOSLOVAKIA	0	0	0	0	359	359	0
GDR	924	978	1,497	1,195	9,439	9,819	1,828
POLAND	19,744	28,838	9,542	1,439	1/	0	0
ROMANIA	94,447	55,146	44,483	149,124	89,633	89,633	185,988
CHEMICALS:							
USSR	36,839	67,626	148,838	93,589	127,387	88,495	99,383
BULGARIA	856	1,357	493	858	1,464	1,287	803
CZECHOSLOVAKIA	1,599	1,237	1,529	1,512	4,883	823	2,883
GDR	7,459	4,185	5,292	5,181	6,141	5,931	6,347
HUNGARY	5,735	9,255	5,781	6,842	6,858	4,884	9,821
POLAND	21,382	22,638	23,329	15,353	9,337	6,494	5,145
ROMANIA	9,137	7,473	18,465	6,785	6,243	4,639	13,739
MANUFACTURED GOODS:							
USSR	185,651	197,727	159,188	185,488	71,187	57,336	71,728
BULGARIA	2,497	5,489	5,145	3,788	2,914	2,132	1,195
CZECHOSLOVAKIA	49,388	48,912	48,988	53,285	43,213	34,359	36,894
GDR	22,612	26,118	32,848	36,985	32,697	25,371	31,294
HUNGARY	31,888	66,643	66,122	86,648	92,998	78,472	75,572
POLAND	235,194	288,433	217,368	222,136	121,532	91,388	58,582
ROMANIA	201,914	222,388	217,456	378,315	222,377	183,151	151,186
OTHER:							
USSR	341,835	598,348	111,864	48,957	28,787	18,138	21,857
BULGARIA	23,874	21,848	15,261	19,832	18,839	13,911	23,187
CZECHOSLOVAKIA	1,679	1,435	1,431	2,458	2,755	2,229	2,187
GDR	5,899	4,144	3,837	1,883	2,964	2,572	1,292
HUNGARY	1,343	2,617	2,598	4,138	4,538	3,394	5,836
POLAND	8,224	6,116	5,502	7,886	6,383	5,912	3,662
ROMANIA	11,175	13,297	11,189	8,725	5,483	4,872	4,374
TOTAL							
USSR	529,669	872,849	431,246	357,429	229,792	179,117	252,232
BULGARIA	27,989	30,145	22,845	29,684	25,324	18,424	26,688
CZECHOSLOVAKIA	57,359	49,899	61,182	67,232	61,548	46,142	47,851
GDR	35,228	35,666	42,958	44,702	51,773	43,348	48,584
HUNGARY	69,153	112,129	104,268	127,939	133,238	97,994	118,106
POLAND	435,947	476,088	414,919	359,939	212,888	157,734	144,685
ROMANIA	344,561	329,051	318,961	559,449	339,121	294,448	367,026

1/ VALUE OR QUANTITY LESS THAN 0.5.

US EXPORTS TO USSR AND EASTERN EUROPE
BY PRINCIPAL COMMODITY GROUPS: U.S. DOMESTIC EXPORTS

(IN THOUSANDS OF DOLLARS: F.A.S. VALUE BASIS)

COMMODITY/COUNTRY	1978	1979	1980	1981	1982	JANUARY-SEPTEMBER--	
						1982	1983
FOOD AND FEEDS:							
USSR	1,499,213	2,282,987	971,794	1,698,148	1,642,161	1,456,988	638,188
EASTERN EUROPE	788,717	1,298,977	1,516,459	1,372,971	474,678	378,945	223,737
FUELS:							
USSR	38,162	23,436	26,473	62,848	98,813	81,333	18,782
EASTERN EUROPE	32,797	35,621	81,752	41,187	17,399	17,384	18,681
CHEMICALS:							
USSR	38,879	195,474	31,488	188,228	287,846	191,491	175,868
EASTERN EUROPE	32,917	67,569	58,123	78,417	79,194	78,962	36,635
MANUFACTURED GOODS:							
USSR	395,589	529,843	392,133	379,857	318,548	239,157	193,822
EASTERN EUROPE	291,186	257,612	382,069	199,595	166,524	125,431	184,499
OTHER:							
USSR	294,888	641,881	87,816	116,562	258,487	251,824	168,231
EASTERN EUROPE	278,633	476,488	374,538	225,939	258,608	191,549	272,388
TOTAL							
USSR	2,249,838	3,683,821	1,509,707	2,338,818	2,585,975	2,288,714	1,194,882
EASTERN EUROPE	1,415,778	2,056,187	2,332,933	1,998,829	996,197	790,270	647,932

SOURCE: COMPILED FROM OFFICIAL STATISTICS OF THE U.S. DEPARTMENT OF COMMERCE.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 6 February 6, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE 12 MONTHS OF 1983

PRODUCT	Jan.-Dec.'83	% 1983 over 1982
Electricity (bil.kw.hrs)	1416.0	104.0
Petroleum (inc. gas condensate) (mil.tons)	616.0	100.6
Natural gas (bil.cu.mtrs)	536.0	107.0
Coal (mil. tons)	716.0	99.7
Steel (mil. tons)	153.0	104.0
Fertilizer (mil.tons)	29.7	111.0
Metal-cutting tools (mil.rubl)	2194.0	106.0
Computer Technology (bil.rubl)	3.3	111.0
Watches(mils.)	69.1	100.0
Radios(mils.)	9.3	104.0
Television sets (millions)	8.6	103.0
Color tv's (mils)	3.4	109.0
Paper(mil tons)	5.7	104.0
Cement (mil.tons)	128.0	104.0
Meat(mil.tons)	16.0	104.0
Sausages (mil.tons)	3.2	104.0
Margarine (1000 tons)	1.5	104.0
Automobiles (1000's)	1300.0	100.7
Trucks (1000's)	58.4	99.7
Tractors (1000's)	49.3	103.0
Power shovels (1000's)	41.8	98.0
Refrigerators (mils.)	5.7	98.0
Combines (1000's)	118.0	106.0
vegetables	83.0	106.4
& potatoes (mil. tons)	29.0	100.0

YEAR END PRODUCTION FIGURES FOR 1982 --

THE GOOD NEWS

Looking at the year as a whole, Soviet authorities should be pleased by the fact that production seems to have increased as much as it did. As the Soviets measure these things, national income rose by 3.1%. However, that is an index figure which does not measure the same kinds of items that our national income figures measure, and therefore it is sometimes subject to misinterpretation.

More important, the production figures for individual industries do show very significant improvement. For example, electrical production rose by 3% in 1982 but showed a 4% increase in 1983. As a result the plan which had originally been set at 1405 billion kilowatt hours actually was exceeded, and reached 1416. Similarly, gas production which was planned at 529 billion cubic meters reached

□□□□ ARDEN HOUSE □□□□

THE ARDEN HOUSE CONFERENCE PROGRAM IS BEING MAILED AT APPROXIMATELY THE SAME TIME AS THIS NEWSLETTER. YOU SHOULD, THEREFORE, BE RECEIVING A COPY OF THE APPLICATION FORM AND PROGRAM -- IF YOU DO NOT RECEIVE ON WITHIN A WEEK, PLEASE LET US KNOW AND WE'LL MAIL YOU AN EXTRA ONE

□□□□

Production Figures

output of the petroleum industry is beginning to drop. Again that means that the January figures will be very important as a measure of what is happening in the Soviet energy industry.

U.S. TRADE FIGURES FOR THE FIRST ELEVEN MONTHS OF 1983

As we mentioned in our last Newsletter we hope to continue publishing the official Department of Commerce statistics on US - Soviet trade. The figures for the first 11 months of 1983 show that the biggest change is in the drop of agricultural exports to the Soviet Union. They were down by a half a billion dollars. Machinery exports were also diminished, but the drop in dollars was not as much, although in percentage terms it was almost a 50% drop. Overall then, the United States exported for the first 11 months of 1983 almost $800 million less than it had in the preceding year.

On the import side, we actually imported more from the Soviet Union than we had before, primarily petroleum products, which amounted to about $56 million, an increase of about $45 million in the preceding year. At the same time, we increased our imports of precious metals, such as palladium. Ammonia imports were down by about $10 million, but this was offset in part by increased imports of urea.

We also have data available about American imports and exports with the other East European countries. We will be happy to publish comparable data if we know that there is an interest. If you would like us to publish the trade data for specific East European countries, please let us know. (see tables on page).

YURI ANDROPOV DIES

Most of this Newsletter was prepared before Yuri Andropov's death. We have enclosed one article evaluating the past year and a quarter of his administration. However, there will be much more extensive discussion of both the results of Andropov's leadership and the future at Arden House. Indeed this should make the Arden House conference even more interesting than last year, when we tried to assess the consequences of Brezhnev's death. The likelihood is that there will be more interest than ever in the Arden House conference, and therefore we urge those interested in attending to send in their applications early so that space will be guaranteed.

cont'd.....

THE SOVIET UNION

Andropov leaves a slim legacy

Regime in paralysis during his brief tenure

By Marshall I. Goldman

The Soviet leadership has never worried particularly about generating and sustaining credibility and support for its leadership, but the effort to hide the status of Yuri Andropov's health in the months leading up to his death Friday will do nothing to increase the Soviet citizen's respect for his regime.

Admittedly, even democracies do not always provide the details of their presidents' or prime ministers' health, but the Soviet deception shows unusual contempt for public opinion.

The fact that nothing was done to replace Andropov suggests that his subordinates found themselves unable to respond to his sickness. The Politburo must have known for some time that Andropov was seriously ill; nonetheless, the members were unable to put forward another leader, even as a temporary spokesman. The Soviet constitution does not provide for vice presidents or for any orderly succession process. Thus the apparent inaction.

Andropov's short tenure as leader has been a serious blow to the Soviet Union. He was not in power long enough to make his mark. That meant that he was unable to deal with structural reorganization of the economy that was so badly needed. He had only begun his experimentation. Thus, on Jan. 1 of this year, new operating procedures were initiated in a few ministries at the national and republic level, but those ministries represented a fraction of the Soviet industrial apparatus and the reforms were limited in scope. Reforms introduced in the mid-1960s were much bolder and more imaginative.

Modest in scope

The regime has also begun some experiments in agriculture and retail trade. Like the industrial reforms, most of these changes have also been modest. In no way do they come to grips with the basic need to provide more and better goods for the Soviet consumer and more innovation and quality for Soviet industry in general.

In all likelihood, Andropov would probably have not been able to make such fundamental reforms even if he had lived longer and had been in full command of his

faculties. Still, his death after only 1½ years in office cannot facilitate any move on the economy.

A new leader is almost certain to have new priorities and a new conception of what should be done. That does not mean that he will necessarily be more successful

Continued from Page A29

– only that the continuity of effort will have been broken and there will thus be even less likelihood of success in the near future.

Nor was Andropov much more successful on the political front. Here, too, he introduced some superficial improvements, for example, the practice of publishing the minutes of what was purported to be the meetings of the Politburo. No one believed that this was the full record, or that the Politburo had suddenly become an open forum. Nonetheless, this was an important step.

Moreover, not only did "the minutes" become the most interesting reading in the Soviet press, but the reported agenda contained items that should have been discussed even if they were not. Among other items, Soviet leaders focused on improvements in agriculture, increased productivity and innovation in industry and, most important, better consumer services. Obviously, there were also discussions of international relations and improved social order and discipline. Previously, it was always safe to assume that such issues were of concern, but now it seemed that if they were not on the working agenda, someone was sensitive enough to realize that they should have been.

Andropov had also begun to revamp Soviet leadership. Here again his efforts were too timid and too tardy. If anything, it was surprising to see how little change Andropov was able to manage. He was only able to move in a few new members of the Politburo and a few new faces in the regional bureaucracies.

Ironically, it may well be that the Soviet Union would have been better off without these innovations, even though many of the party and even government officials left over from the Leonid Brezhnev years have become inert and in some cases corrupt.

On the surface, it appears that there may be just enough new blood in power to spark a battle for control of the Politburo. The new blood is probably not dominant enough to win out, but it may be strong enough to prevent the old factions from moving ahead.

The selection of Konstantin Chernenko to head the funeral arrangements suggests that Leonid Brezhnev's old party cronies have not been pushed aside, as it had once been thought. Since the selection of the funeral director is usually a tip-off as to who will succeed to the post of secretary general, there's good reason to believe that the party apparatchiks are back in command.

What would make Chernenko's selection as secretary general particularly puzzling is that it would suggest that not only has the Brezhnev faction won out over Andropov's supporters, but also that the Soviet leaders are again willing to risk turning power over to the older generation. While it is likely that Chernenko, who is 72, would last longer than Andropov, it is doubtful he would last a full decade. That means that the Soviet Union would find itself having to undergo yet another leadership transition with yet another set of unfinished reforms.

Moreover, from what we know of Chernenko's record, he has not shown any great initiative or leadership ability. Indeed, one of the reasons Andropov was put ahead of him was that Chernenko represents a return to Brezhnev's style of leadership – cronyism and reluctance to rock the boat.

When Andropov assumed the leadership of the Communist Party, he offered the hope of new vigor, imagination and a return to law and order. Because he became ill so early in his leadership, not only were these dreams incompletely realized, but his inability to prepare for a transition of new leadership means future reforms and progress have also been encumbered.

Marshall Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard.

There is one addition to the program. Senator Paul Sarbanes has just indicated that he'll be able to join us as well for the Congressional session on March 24th. This means that we will have the largest Congressional delegation in attendance that we have ever had.

ARDEN+++ ARDEN +++ ARDEN +++ ARDEN +++ ARDEN

CURRENCY FIGURES

Rubles Purchased Per 100:	Jan. 1983	Dec. 1983	Jan. 1984
Austrian shilling	4.28	4.09	4.02
U.K. pound	134.00	112.70	112.90
W. German mark	30.08	28.73	28.51
U.S. dollar	71.05	79.25	80.30
French franc	10.61	9.41	9.32
Japanese yen	.306	.337	.342
Italian lira	.052	.048	.047
Swiss franc	35.79	35.86	35.77

Only the U.S. dollar and the Japanese yen have shown improvement over the last year.

01/18/84
17:50:25

All items in U.S. imports for consumption from U. S. S. R.(Soviet Union), 1980, 1981, 1982, January-November 1982, and January-November 1983

(In thousands of dollars; customs value)

SITC Number	Description	1980	1981	1982	January-November-- 1982	January-November-- 1983
0	Food & live animals	1,754	2,675	5,205	5,050	17,111
1	Beverages & tobacco	5,575	8,423	9,953	8,690	10,959
2	Crude mat'l--inedible,not fuel	15,429	17,820	9,509	8,451	10,527
3	Mineral fuels, lubricants, etc	11,232	106,795	10,356	10,356	55,968
4	Oils & fats--animal & veg prod	1/	19	5	5	1
5	Chemicals	148,038	93,509	117,307	117,056	131,871
6	Man'd goods by chief material	125,780	99,910	60,533	57,484	81,327
7	Machinery & transport equip	3,187	2,366	1,483	1,451	2,871
8	Miscellaneous man'd articles	29,473	2,790	9,037	8,961	3,155
9	Commodities & transactions nec	89,919	22,656	5,212	4,612	2,198
	Total	430,387	356,961	228,602	222,117	315,988
	Total, all items imported from U. S. S. R.(Soviet Uni	430,387	356,961	228,602	222,117	315,988

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The Russian Research Center takes no official stand on any economic or political view matter. The views and analyses expressed herein the Newsletter are those of the authors directly associated with the article in question or unless otherwise stated, with those of the editor, Marshall I. Goldman.

THE RUSSIAN RESEARCH CENTER 1984

01/18/84
17:57:10

All items in U.S. domestic exports to U. S. S. R.(Soviet Union),
1980, 1981, 1982, January-November 1982, and January-November 1983

(In thousands of dollars; f.a.s. value)

SITC Number	Description	1980	1981	1982	January-November--	
					1982	1983
0	Food & live animals	971,734	1,680,140	1,637,103	1,564,155	1,884,016
1	Beverages & tobacco	2,773	400	2,979	2,979	724
2	Crude mat'l--inedible,not fuel	56,187	59,350	214,249	214,249	202,912
3	Mineral fuels, lubricants, etc	26,464	62,840	90,013	78,184	20,665
4	Oils & fats--animal & veg prod	28,148	56,089	40,565	35,401	17,207
5	Chemicals	31,560	180,220	287,846	245,927	213,870
6	Man'd goods by chief material	34,458	32,867	25,961	22,602	28,352
7	Machinery & transport equip	268,795	300,567	225,209	216,606	134,815
8	Miscellaneous man'd articles	88,880	45,371	59,129	55,333	68,344
9	Commodities & transactions nec	708	722	614	581	2,318
	Total	1,509,728	2,338,567	2,583,668	2,436,017	1,693,224
	Total, all items exported to U. S. S. R.(Soviet Union	1,509,728	2,338,567	2,583,668	2,436,017	1,693,224

Source: Compiled from official statistics of the U.S. Department of Commerce.

3/13/84 U2030-1 A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 7 March 8, 1984

INCREASE IN SALE OF GOODS AT STATE AND COOPERATIVE STORES, 1983 over 1982

PRODUCT	% INCREASE
Bread products	101
Meat	105
Fish	98
Vegetable oil	110
Margerine	100
Whole milk products	105
Cheese	109
Eggs	103
Sugar	101
Pastries	102
Tea	100
Potatoes	107
Vegetables	106
Fruits & Citrus	118
Clothing	104
Leather footwear	102
Dining sets (china,glass)	100
Soap & Detergents	100
Furniture	104
Refrigerators & freezers	104
Washing machines	105
Vacuums	102
Watches	103
Camera equipment	95
Radios	106
Television sets	106
color sets	110
Tape recorders	105
Bikes & mopeds	103
Motorcycles & scooters	105
Cars	106

IMPROVEMENT IN RETAIL SALES

The first full year of Andropov's control did show a significant improvement in retail sales. Most impressive is the 18% increase in the sale of fruit and citrus fruit. In comparison, in 1982 and 1981, fruit and citrus fruit sales increased 12%. That was a substantial increase, but still far short of what took place under Andropov. Similarly, the increase in vegetables sales was higher in 1983 than it had been in 1982. In fact, except for fish, and dishware, and cameras, retail sales of all products increased, and for the most part increased at a faster rate than had been the case in 1982. Clearly, Andropov went far out of his way to improve the standard of living of the Soviet consumer.

INDUSTRIAL PRODUCTION FIGURES FOR JANUARY 1984

The production statistics for January 1984 have just been received in this country. The last full month of Andropov's regime shows that production of most commodities continued to grow but at a pace that was somewhat lower on the whole than had been attained in January 1983 over 1982. For comparison's sake, we have reproduced the figures for the three Januaries, beginning in 1982 over 1981 and continuing with the figures for 1984 over 1983. It should be remembered that there was an extra Sunday rest day in January 1982, and one more work day in January 1984 than January 1983. Nonetheless, these figures graphically demonstrate how serious conditions were in 1982 under Brezhnev. Under Andropov, in January 1983 the production rate of growth of all items increased dramatically, extra rest day or not. However, especially with, but even without, the extra work day in January 1984 there does seem to be some indication that Andropov was having problems sustaining that increase in production. There were some industries, such as electricity, coal, metal-cutting tools(machine), television set

production and meat production, where the production growth rate increased. In many other instances, however, it fell. The difference is not all that distinct but there are signs that Andropov was beginning to have problems sustaining the high growth rates on top of the very high base that he established for 1983.

Particularly noteworthy of course is the fact that, as we indicated in earlier Newsletters, petroleum production fell. It was one million tons below production in January 1983. That makes it the fourth consecutive month in which petroleum production dropped. However, unlike December 1983, when production had fallen two million tons from the pace set a year earlier, production was down only a million tons in January 1984. Nonetheless this must still be worrisome, even though production did seem to increase in the coal mines.

It now remains to be seen if Chernenko will be able to do any better than Andropov did. Indeed, it should be difficult for him simply to sustain the somewhat weaker momentum of the January 1984 growth rate.

(see page 6)

ARDEN HOUSE

The applications are coming in rapidly for Arden House. If you have not received a copy of the program and application blank and you do want to attend, please let us know immediately before all the spaces are filled.

SEMINAR ON THE SOVIET SPACE EFFORT

In an unusual departure, the Russian Research Center will be sponsoring a seminar on the Soviet space effort. A copy of the program and an application form is enclosed. This is somewhat beyond our normal scope of commercial analysis, but it does promise to be interesting.

CORPORATE SPONSOR SEMINAR ON HUNGARY

As its final Corporate Sponsor seminar of the year, the Russian Research Center will convene a one-day look at Hungary. We hope to look at the political and social develpments as well as the economic side. We expect to have some senior economists and bankers with us directly from Hungary. In addition, there will be several spokesmen from the business community discussing their experiences. An application form and partial program is enclosed.

NEWSLETTER MAILING :

From the increasing number of envelopes containing the monthly Newsletter that are being returned to us, we notice some of you have changed your addresses. We are, therefore, enclosing a self-addressed card that we would like you to fill out and return to us immediately. If your address has changed, or if you are no longer interested in receiving the Newsletter, please indicate so on the card, and we will make the necessary correction on our mailing list or remove your name from it.

CURRENCY FIGURES

Rubles Purchased Per 100	Feb. 1983	Jan. 1984	Feb. 1984
Austrian shilling	4.27	4.02	4.14
U.K. pound	110.21	112.90	113.72
W. German mark	29.83	28.51	29.31
U.S. dollar	71.75	80.30	79.00
French franc	10.54	9.32	9.49
Japanese yen	.306	.342	.338
Italian lira	.051	.047	.047
Swiss franc	35.88	35.77	35.93

The currency exchange figures released by Gosplan for February 1984 show that all currencies have increased in value except for the U.S. dollar and Japanese yen, which decreased, and the Italian lira, which remained the same, over the last month. Over a year's time, only the U.K. pound, U.S. dollar, Japanese yen and Swiss franc increased in value.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in the Newsletter are those of the authors directly associated with the article in question, or unless otherwise stated with those of the editor, Marshall I. Goldman.

THE RUSSIAN RESEARCH CENTER 1984

CHERNENKO'S INHERITANCE

By MARSHALL I. GOLDMAN

AFTER having been initially rejected for the post of General Secretary of the Communist Party, Konstantin U. Chernenko must be exultant about the sudden improvement in his political fortunes. But despite his euphoria, he must be intimidated, if not overwhelmed, by the stagnation and lethargy that confront him within the Soviet economy.

Because of the efforts of his predecessor, Yuri Andropov, economic conditions have improved so that today there is little likelihood of any economic collapse. But while Mr. Andropov managed to halt the rot, even he did not attempt to deal with the fundamental restructuring that is so necessary if the Soviet economy is to provide for its people's needs and produce products that are competitive by world standards.

Conceivably, if he had lived longer, Mr. Andropov might one day have taken on the challenge; yet there is good reason to believe that the problems are so intractable that even someone as determined and able as Yuri Andropov would have been unequal to the challenge. Given Mr. Chernenko's past record of live-and-let-live conduct in party affairs, his lack of experience in the economic sphere, his advanced years and his evident poor health, it is hard to see how he will be able to deal with all the tests that await him.

His first chore will be to sustain the growth that Mr. Andropov instituted. Even though that growth — a 3 percent increase in what the Soviet Union defines as the national income consumed and invested — was quite modest by previous Soviet standards, that will not be an easy assignment. Already some danger signals have appeared: Coal production fell last year, and while petroleum output rose for the year as a whole, production during October, November and December fell from the levels attained in the comparable periods of 1982.

It must also be remembered that most of the growth generated by Mr. Andropov was primarily a consequence of his emphasis on discipline and his attack on absenteeism and alcoholism. It will be hard for Mr. Chernenko to build or even continue on that. Moreover, given his association with the cronyism and lethargy that was the hallmark of the Brezhnev Administration, it seems unlikely that Mr. Chernenko will feel comfortable pushing hard on law and order. Conceivably, Mikhial S. Gorbachev, at 52 not only younger but more experienced with economic affairs, might be able to provide the economic insight that Mr. Chernenko lacks.

But what about the main challenge — the need to reduce the emphasis on heavy industry and in its stead to stimulate innovation, increase the production of food and consumer goods and foster the start of the Soviet Union's own high-technology industries? In his speech to the Central Committee accepting his election, Mr. Chernenko said he agreed that "the system of economic management, the whole of our economic machinery, needs a serious restructuring.""

ADMITTEDLY, the unfinished nature of this work may have been due to Mr. Andropov's early incapacity and more likely it reflects how resistant the Soviet economic system is to change. Anyone who attempts to downplay Soviet heavy industry or reduce the share of G.N.P. allocated to military spending threatens the vested interests of the most powerful officials in the Soviet Union. Even Mr. Andropov acknowledged how inflexible these old-time apparatchiks were.

In the eyes of these bureaucrats, structural reform meant disruption and possibly chaos. For example, outdated steel mills would have to be closed; that would mean unemployment. To stimulate new products, factory managers would have to be allowed more freedom of action and more control over prices. Similarly, to stimulate the output of fruits and vegetables, it is necessary to give more flexibility to the peasants. But this would set off price increases and speculation.

The challenge of dealing with the high-technology sector is equally perplexing. Because the high-technology industries are so fast-moving, they are not suited to the slow, methodical ways of the Soviet economy. This, more than anything else, explains why the technology industries in the Soviet Union seem so far behind those of the capitalist world.

But what if the Soviet Union should do the unexpected and somehow increase the production of word processors and personal computers? The existance of a network of word processors, personal computers and electronic mail would pose a near-impossible challenge for the police and their political control. If even now copying machines are viewed as a threat to the political security of the country, word processors and interactive computers, with their potential for underground communications, would be even more of a problem.

-3-

Mr. Chernenko's task is not easy. He will have a hard enough time improving production in the old technology industries, while the new technologies will pose not only a major test of the country's innovative abilities, but also of its political security. These challenges will be difficult under the best of circumstances, and particularly difficult for Mr. Chernenko, a man of too little experience and too many years. ■

Marshall I. Goldman is a professor of economics at Wellesley College, Associate Director of the Russian Research Center at Harvard University, and author of "U.S.S.R. in Crisis: The Failure of an Economic System."

By FRANKLYN D. HOLZMAN

FOREIGN trade plays a smaller role in the Soviet economy than in any other nation except Communist China. Yet it serves important functions, providing Russia with food and technology from the West and acting as a key link in its relations with Eastern Europe. However, as the new Soviet boss, Konstantin U. Chernenko, must realize already, there are problems — although no crises — in both areas.

Expansion of hard-currency trade with the West during the 1970's was, on the whole, successful. Imports rose from $3 billion in 1970 to $26 billion in 1980, and they were financed almost entirely out of current earnings. Soviet net debt in 1982 stood at $10 billion and its debt-service ratio (to current earnings) was only 16 percent, respectable by any standards.

But this performance owes a lot to luck. The explosions in energy and gold prices, plus the enhanced ability of the Middle East oil producers to buy Soviet weapons, added about $20 billion to Soviet foreign exchange

Franklyn D. Holzman is a professor of economics at Tufts University, a research associate at the Harvard Russian Research Center and author of "International Trade Under Communism."

cont'd p. 4

earnings between 1973 and 1980. Had this not happened, the Soviet Union would have imported less food and machinery, and paid higher rates of interest on a larger debt.

Now, Comrade Chernenko has inherited a less rosy outlook. Soviet petroleum, responsible for more than half of its hard-currency earnings, has reached a production plateau and could fall sharply in the near future. At the same time, petroleum export prices are falling, Soviet domestic oil consumption continues to grow and prices of Soviet imports continue to rise.

The drive to increase output of natural gas will provide some offset to the drop in oil available for export if the latter is not too severe, an issue over which experts differ widely.

Another area where there would seem to be room for improvement is in exports of Soviet manufactured products, especially machinery and equipment. These constitute major exports of all industrialized nations, but amounted to less than 14 percent of total Soviet exports in 1981 and only 6 percent of its hard currency exports. Russian attempts to increase these levels have largely failed.

The problem is systemic. Under Communist central planning, manufacturing enterprises do not have to compete — they are assigned buyers. Since as much as 95 percent of the output of such enterprises is destined for domestic markets, Soviet management has little experience or incentive to meet the quality and technology standards to export successfully in highly competitive world markets. Only a major "decentralizing" economic reform could make a dent in this problem and the likelihood of a successful reform appears remote.

Another possibility of alleviating the hard-currency pinch is to divert exports away from Eastern Europe to the West. The crucial commodity is crude oil, about half of which is still exported to Eastern Europe.

To evaluate the likelihood of this solution, it is necessary to look more closely at Soviet-East European relations. Approximately half of both Soviet and East European trade is intrabloc, but it is very uncompetitive trade. All of these nations would profit if Comecon were dissolved and they became integraded in the lower-cost, higher-quality world market.

The advantages to the Soviet Union of expanding trade with the West at the expense of Eastern Europe are considerable. It currently exports raw materials to Eastern Europe at below world prices and imports from them inferior manufactured products at above world prices. In recent years, the net losses from these price differentials have been estimated at between $10 billion and $20 billion a year. And the losses from accepting inferior manufactured products are also large, though incalculable.

WHY trade with Eastern Europe on such adverse terms? Primarily because the Warsaw Pact is vital to Soviet political and strategic objectives. Trade on favorable terms for Eastern Europe acts as a "sweetener" in a situation that otherwise would have for them no redeeming features.

With hard currency problems developing and, particularly with a tightening of oil supplies, the opportunity costs of being a sugar daddy in intrabloc trade are rising. But disatisfactions in Eastern Europe are also on the rise. Whether to continue as before or change the terms and scale of intrabloc trade is a question Mr. Chernenko will have to address.

Bloc trade poses other problems. Eastern Europe has economic and balance of payments problems illustrated by the fact that each year they have run substantial unplanned trade deficits with the Soviet Union, which have become de facto loans. Finally, because of the inconvertibility of bloc currencies, intrabloc trade must be conducted on a rigid bilaterally balanced basis. This kind of barter reduces the scale and profitability of trade.

For 30 years, attempts have been made without success to get rid of the bilateralism straitjacket. Undoubtedly, these efforts will continue. But, since convertibility requires reforms eliminating central planning, successful efforts are unlikely. ■

THE WALL STREET JOURNAL, FRIDAY, FEBRUARY 24, 1984

Pushed and Pulled, Soviet Leaders Wax Static

By MARSHALL I. GOLDMAN

In his acceptance speech to the Central Committee, Konstantin Chernenko committed himself to a continuation of Yuri Andropov's attack on "slackness and irresponsibility" in the Soviet economy, but he may not be up to the challenge. His success seems all the more problematic given the difficulties even the much more imaginative and able Mr. Andropov had.

Given Mr. Andropov's authority and background as head of the KGB, many waited expectantly for a frontal assault on the system after he rose to power. But when Mr. Andropov's economic experiments were finally announced on July 26, 1983, for implementation Jan. 1, it was hard to see what all the fuss had been about. Few major ministries were involved. Factory managers were urged to take more local initiative but were given little or nothing with which to exercise it. The aborted reforms of the mid-1960s associated with Russian economist Evsei Lieberman were more far-reaching and imaginative. In the 1963-64 experiments, factory managers were authorized to adjust prices at their discretion; none of that here. Thus, little if anything being proposed went beyond what had been attempted 20 years ago.

Like the lion that squeaked, the July 26 pronouncement was clearly a disappointment to those who had been led to expect a bolder and more imaginative experiment. This may to some extent account for what happened next. A confidential working paper prepared by Tatiana Zaslavskaia of the Siberian division of the Soviet Academy of Sciences, prepared on behalf of one of the study commissions set up by Mr. Andropov, was leaked to the American press. It appeared in the Washington Post on Aug. 2, a week after the July 26 announcement, and in the New York Times on Aug. 5. Since leaks of Soviet internal documents to the Western press are not a daily occurrence, it is reasonable to conclude that someone in the political hierarchy may have wanted to highlight the gap between what might have been and should have been, and what actually was adopted.

But the traditionalists also brought pressure to bear. A few days later, on Aug. 15 (one day before he disappeared from public view), Mr. Andropov met with what were officially described as "Party Veterans of the Central Committee of the Communist Party," to ask their support for far-reaching economic reforms.

Since bureaucratic opposition to such reforms is largely responsible for the failure of past efforts, it made good political sense to solicit their support early in the process, not only for the July 26 proposals but for whatever else might be offered in the future. What is noteworthy about Mr. Andropov's meeting, however, is how deferential and even timid he was with these apparatchiks. Official accounts show he all but pleaded for their cooperation and hastened to reassure them that like a good Russian tailor, Soviet officials would measure seven times before cutting the economic cloth. Such bureaucratic caution and modesty are hardly what one would expect from someone with Mr. Andropov's power and professed determination to improve the economy.

The reasons for Mr. Andropov's caution became apparent two days later. Nikolai Baibakov, the chairman of Gosplan, the state planning agency, took what at the time was an all but unprecedented step of calling a news conference to defend the existing system of central planning. In Mr. Baibakov's view, the Soviet economy was doing well, thank you, and was in little need of any tinkering. When asked if he

had seen the Zaslavskaia report, he reportedly replied that he had not, but that if the report had been important, he would have been shown a copy. In effect, the chairman of Gosplan, the one most likely to be affected by any meaningful economic reform, created his own public platform to play down the notion that the economy was in trouble and in need of reform.

That Mr. Andropov should be challenged this way is fascinating enough. What makes it more intriguing is that these difficulties were encountered before Mr. Andropov disappeared in August. This suggests that under the best of circumstances there is determined opposition to any far-reaching economic change. What the Andropov experience highlights, however, is that the system rejects not only economic, but political change as well.

As intriguing as Mr. Andropov's inability to bring about economic change is the way that the system resisted any apparent effort to remove Mr. Andropov, despite the gravity of his illness. Nor was this the first incident of this sort. Leonid Brezhnev's last years were characterized by similar incapacity and infirmity. On one occasion, his staff found it necessary to replace the speech he was inadvertently reading with the one he was supposed to read.

Of all the current members of the Politburo, Konstantin Chernenko is probably the most compliant and least interested in shaking up the establishment. He is, after all, cut from Mr. Brezhnev's mold and the prime example of a colorless party official. Yet given Mr. Andropov's experience, it is hard to see how anyone, no matter how ambitious or how young, will be able to do much more than Yuri Andropov. The Soviet system is not well suited to change.

SUMMARY OF THE CONFERENCE ON AGROBUSINESS PROSPECTS WITH THE SOVIET UNION

The February 6th Corporate Sponsor seminar on Agrobusiness Development with the Soviet Union was attended by possibly the largest crowd yet. There were several members of the North American Export Grain Association in the audience, and on the panel of speakers. The morning panels considered the constraints which the Soviet economic system puts on its agriculture production, in particular their annual problem with inadequate storage of grain, and the prospects and requirements for ameliorating Soviet agriculture. The afternoon panels addressed the Soviet Union's projected need of agricultural imports in the 1980's, and their current Food Program, which seems to be having a gradual impact on overall production and quality of food. The consensus seemed to be that there would be a decrease in the Soviets' use of agribusiness exports from the United States, with the exception of certain technology transfers, in the next decade or so. The final afternoon session considered the lessons of the grain embargo for both the United States and the Soviet Union, as seen by the U.S. government and U.S. businessmen.

Industrial Production Changes for January & February 1982, 1983, & 1984

Product	% Jan. 82 over Jan. 81	% Jan. 83 over Jan. 82	% Jan. 84 over Jan. 83	Production in January 84
Electricity (bil. kw. hrs.)	103.0	103.0	105.0	139.0
Petroleum (incl. gas condens. mil. tons)	99.8	102.0	99.0	52.0
Natural Gas (bil. cu. mtrs.)	106.0	108.0	107.0	49.5
Coal (mil. tons)	97.0	100.2	101.0	62.4
Steel (mil. tons)	95.0	105.0	103.0	13.4
Fertilizer (mil. tons)	96.0	112.0	103.0	2.6
Metal-Cutting Tools (mil. rubles)	101.0	108.0	111.0	191.0
Watches (mils.)	98.0	107.0	96.0	5.6
Radios (1000s)	95.0	115.0	103.0	767.0
Television sets (1000s)	100.00	108.0	110.0	740.0
Paper (1000 tons)	94.0	110.0	105.0	505.0
Cement (mil. tons)	92.0	108.0	102.0	10.8
Meat (1000 tons)	92.0	105.0	108.0	874.0
Margarine (1000 tons)	98.0	111.0	106.0	138.0
Tractors (1000s)	98.0	104.0	102.0	4.3
Automobiles (1000s)			103.0	113.0

02/06/84
22:22:45

All items in U.S. imports for consumption from USSR,
1979, 1980, 1981, 1982, and 1983

(In thousands of dollars; customs value)

SITC number	Description	1979	1980	1981	1982	1983
0	Food & live animals	1,043	1,814	2,675	5,236	17,488
1	Beverages & tobacco	7,455	5,612	8,446	9,961	11,744
2	Crude mat'l--inedible,not fuel	33,151	15,503	17,820	9,511	11,481
3	Mineral fuels, lubricants, etc	16,113	11,232	106,795	10,356	55,968
4	Oils & fats--animal & veg prod	7	1/	19	5	1
5	Chemicals	67,626	148,038	93,509	117,307	144,417
6	Man'd goods by chief material	161,189	125,812	100,241	60,555	88,031
7	Machinery & transport equip	4,409	3,444	2,387	1,579	3,382
8	Miscellaneous man'd articles	32,128	29,843	2,860	9,053	6,259
9	Commodities & transactions nec	549,728	89,949	22,673	5,230	2,322
	Total	872,849	431,246	357,424	228,792	341,093
	Total, all items imported from USSR	872,849	431,246	357,424	228,792	341,093

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

02/06/84
22:29:21

All items in U.S. domestic exports to USSR,
1979, 1980, 1981, 1982, and 1983

(In thousands of dollars; f.a.s. value)

SITC number	Description	1979	1980	1981	1982	1983
0	Food & live animals	2,282,987	971,744	1,600,140	1,642,161	1,194,996
1	Beverages & tobacco	2,445	2,773	400	2,979	874
2	Crude mat'l--inedible,not fuel	564,166	56,187	59,350	214,249	264,583
3	Mineral fuels, lubricants, etc	23,436	26,473	62,840	90,603	22,571
4	Oils & fats--animal & veg prod	73,395	28,148	56,089	40,565	21,507
5	Chemicals	135,474	31,580	180,220	287,846	239,398
6	Man'd goods by chief material	48,534	34,458	32,871	25,961	29,729
7	Machinery & transport equip	362,535	268,795	300,814	225,458	149,452
8	Miscellaneous man'd articles	109,774	88,880	45,371	59,129	76,422
9	Commodities & transactions nec	1,076	708	722	614	2,419
	Total	3,603,821	1,509,747	2,338,818	2,588,975	2,001,951
	Total, all items exported to USSR	3,603,821	1,509,747	2,338,818	2,588,975	2,001,951

Source: Compiled from official statistics of the U.S. Department of Commerce.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 8 April 12, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST TWO MONTHS OF 1984

PRODUCT	Feb. 1984	Jan-Feb. '84	% Jan - Feb '83 over Jan-Feb 1984
Electricity (bil.kw.hrs)	133.0	272.0	108.0
Petroleum (inc. gas condensate) (mil. tons)	48.4	100	100.1
Natural gas (bil.cu.mtrs)	46.7	96.2	109.0
Coal (mil.tons)	60.1	123.0	100.7
Steel(mil. tons)	12.4	25.7	104.0
Fertilizer (mil.tons)	2.4	5.0	104.0
Metal-cutting tools (mil.rub)	195.0	387.0	112.0
Robots (units)	0.98	1.7	172.0
Computer technology(bil.rub)	273.0	532.0	115.0
Tractors(1000s)	4.2	8.5	103.0
Paper (1000 tons)	464.0	969.0	106.0
Cement (mil tons)	10.1	20.7	102.0
Meat (mil tons)	0.7	1.6	110.0
Margerine (1000 tons)	133.0	271.0	104.0
Watches(mils)	5.5	11.2	97.0
Radios (mils)	0.8	1.5	103.0
Television sets (millions)	0.3	0.6	110.0
Automobiles (1000s)	110.0	223.0	104.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST TWO MONTHS OF 1984

A comparison of production figures for the first two months of 1984 compared with the first two months of 1983 is difficult. According to Soviet authorities, there was one extra work day in January 1984 compared with January 1983, and of course, 1984 is a leap year, so there is an extra day in February as well. As a result, the percentage change in production for the first two months of the year as well as for February 1984 looks very good. However, when computed on a day by day basis, the figures are not as impressive.

In the case of oil, for example, whereas the figures for January 1984 show a drop in production, given the extra day in February, there is an increase in production of February to February, and for the first two months of the year. However, on a day by day basis, production in February 1984 was a trifle below production on a day by day basis in February 1983. In any event, the drop in oil production does not seem to be as large as it had been for the months of October, November, December 1983, and January 1984. Yet, despite the official indication that production is higher, production did indeed drop.

Actually the situation in the petroleum industry is probably more complicated than it is in other industries. That is because the oil producers keep producing, whether or not there is a holiday. Thus, production on a January to January basis should be the same, and the fact that there is an extra work day in January 1984 should actually make no difference. Presumably the oil wells keep pumping, holiday or no holiday. Of course the fact that there was an extra day in January and February 1984 should make a difference

Production Figures....

in other industries, and should help to explain why production figures are as high as they are.

This should also help to explain why it is that automobile production, for example, is 4% higher in the first two months of 1984 than for the comparable period of 1983.

ANNOUNCEMENT+++++++

The University of Chicago Press has published a very long but impressive collection of articles entitled, "Soviet Natural Resources". This was sponsored jointly by the American Association of Geographers and it is considered to be a classic. The formal title of the book is called Soviet Natural Resources and the World Economy, and it's edited by Robert G. Jensen, Theodore Shabad and Arthur Wright. For more information you should contact your book store or The University of Chicago Press.

SOVIET SPACE PROGRAM: FROM SPUTNIK TO SALYUT

The Soviet Space Conference, held April 9th at the Harvard Faculty Club, was well attended, and featured a diverse group of speakers from both academia and government. The morning panel focused on an analysis of historical and present trends in Soviet Space technology. On the panel were Marcia Smith of Congressional Research Service, Dr. Carter Alexander of the National Aeronautics and Space Administration, Dr. Paul Rambaut, Chief of the Space Medical Branch at NASA, and Michael Nacht, Associate Director of the Center for Science and International Affairs at Harvard.

The afternoon panels were Prospects for Soviet Space Activity in the 1980's and beyond (given by Saunders Kramer, Fellow of the British Interplanetary Society), and U.S.- SOVIET Space Cooperation: Apollo, Soyuz and After, which featured Philip Chandler from the Office of Technology Assessment, Harvey Meyerson (Aide to Senator Matsunaga) and Louis Friedman, Executive Director of the Planetary Society, which is under the direction of Carl Sagan.

CORPORATE SPONSOR SEMINAR ON HUNGARY SET FOR MAY 7th

As its final corporate sponsor seminar of the year, the Russian Research Center will convene a one-day look at Hungary. We will be looking at the political and social developments, as well as the economic side. We expect to have some senior economists and bankers coming directly from Hungary to speak on this program. In addition there will be several spokesmen from the business community discussing their experiences. An application form is enclosed.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in the Newsletter are those of the authors directly associated with the article in question, or unless otherwise stated, with those of the editor, Marshall I. Goldman.

The RUSSIAN RESEARCH CENTER 1984

CURRENCY FIGURES

Rubles purchased per 100	March 1983	Feb 1984	March 1983
Austrian shilling	4.30	4.14	4.28
U.K. pound	108.97	113.72	113.57
W. German mark	30.22	29.31	30.15
U.S. dollar	72.25	79.00	76.85
French franc	10.51	9.49	9.75
Japanese yen	.304	.338	.346
Italian lira	.0508	.047	.0484
Swiss franc	34.97	35.93	36.34

The currency exchange figures released by Gosplan for March 1984 reveal that the U.S. dollar, the U.K. pound, the Japanese yen and the Swiss franc have all increased over the last year, and all others have decreased. Over the last month the Italian lira, Swiss franc, Japanese yen French franc, W. German mark and the Austrian shilling have all shown improvement, with only the U.K. pound and U.S. dollar decreasing.

SOVIET FOREIGN TRADE FIGURES FOR 1983

The Soviets have just released their trade figures for the past year. The most notable accomplishment is that the Soviets managed to increase their exports by 800 million rubles, while holding the increase in their imports to 100 million rubles. As a result, they were able to reduce their regular trade deficit by about 700 million rubles. This of course excludes exports of gold and arms. If those two items are included, the Soviet Union had a very positive trade balance.

The increase in exports took place largely because of a significant increase in exports to Great Britian of about 350 million rubles and a similar increase in exports to France and Sweden. At the same time, there was a decline in exports to the Netherlands of almost 300 million rubles. This does suggest that the Soviets may have cut back a bit on their petroleum exports, since the Netherlands in the past was one of the main recipients of petroleum. Britian heretofore has not taken much petroleum from the Soviet Union, at least in recent years. Moreover, initial reports indicate that British purchases of Soviet petroleum actually declined in 1983 as compared with 1982. Consequently, the Soviets must have found some other major commodity to sell to Great Britian.

On the import side, the most important element was the significant drop in imports of products from the United States, including grain. Imports from the United States are down by a half billion rubles. However, it is interesting to note that imports from Argentina did not increase very much, and at the same time imports from Canada, Australia and New Zealand also dropped. This suggests that agricultural imports into the Soviet Union in 1983 were considerably below what they had been in 1982.

Responding to pressure, the Soviets increased their imports from France by about half a billion rubles. The French had been very upset about the imbalance in their trade with the Soviet Union and had threatened to cut back their purchases of petroleum, unless the Soviets did more to buy French goods. There still is a trade imbalance, but it is now 700 million rubles rather than 1 billion rubles in the Soviets' favor. The Soviets also increased their purchases from Germany but cut them back sharply from Japan.

The imports from Japan were down almost 800 million rubles. The Japanese have been quite disturbed by this. In fact imports from Japan were cut more sharply than were imports from the United States. see pg. 4

If you have not already done so, we urge that you return to us the postcard which states that you wish to remain on our Newsletter mailing list. If you have lost the postcard you may call and inform us. Otherwise we will remove your name if we do not hear from you in the upcoming month.

CONFERENCE ON THE POLISH CRISIS AND ITS LESSONS MARCH 30th, 31st and APRIL 1st, CAMBRIDGE MA.

The conference was sponsored by the Russian Research Center of Harvard University and organized by Zbigniew Pelczynski of Oxford University, Visiting Professor in the Government Department at Harvard (with the assistance of Henry Norr). It was held in conjunction with the New England Slavic Association and funded by a generous grant from the Ford Foundation.

The conference opened with a survey by Prof. Gordon Skilling of major developments and the different kinds of crises in the Soviet Bloc since World War II. The subsequent five sessions were:'Solidarity and the crisis in Poland','The Polish disease in the economy and its equivalents elsewhere in East Europe', 'The weakening of the party in Poland and its position elsewhere in East Europe', 'Trends in political culture: consumerism, ideological decline and tradition revival', and 'The lessons for the East and the West'. The 18 speakers came from Harvard or other Boston area universities(7), universities in the US(5), Canada(3) and England(3). Half of the speakers had first hand experience of Czechoslovakia, E. Germany, Hungary and Poland. A wide range of expertise on problems of Communist systems and international relations was represented, and although the conference was dominated by discussion of the many dimensions of the Polish crisis, a broader East European perspective was provided as well.

The panel presentations were recorded on tape and may be available for consultation.

BALANCE OF TRADE 1977, 1978, 1979, 1980, 1981, 1982, 1983

Millions of Rubles

	EXPORTS FROM THE USSR							IMPORTS TO THE USSR						
	1977	1978	1979	1980	1981	1982	1983	1977	1978	1979	1980	1981	1982	1983
Austria	352	371	442	580	854	675	566	263	272	368	396	507	535	787
Belgium	353	408	533	842	747	1032	991	220	257	286	383	450	573	611
Gr.Britian	958	836	1094	859	645	813	1185	375	662	811	953	858	752	632
Greece	237	189	180	409	538	533	533	78	70	65	92	100	122	155
Denmark	200	193	301	261	252	300	290	50	46	72	80	208	64	65
Spain	163	113	152	251	274	159	300	63	93	144	152	375	166	250
Italy	1091	1112	1292	2111	2484	2821	2998	790	858	863	934	1002	1222	1436
Nether-lands	399	300	903	1027	1019	1505	1224	166	162	243	361	458	359	489
Norway	72	59	87	49	52	93	80	52	66	51	79	96	72	102
Portugal	79	59	88	91	146	45	40	37	32	35	37	37	43	38
Germany	1343	1498	2218	3096	3635	4065	4067	1780	1969	2485	2989	2703	2913	3360
France	820	840	1426	2242	2525	2228	2422	904	974	1198	1510	1665	1268	1728
Switzer-land	153	286	314	445	331	353	510	222	225	276	403	497	411	345
Sweden	277	312	554	355	291	409	652	228	190	223	322	347	345	255
Japan	853	736	944	950	817	757	825	1444	1583	1661	1773	2213	2926	2176
SUBTOTAL	7350	7312	10528	13568	14610	15988	16683	6675	7459	8781	10464	11516	11771	12429
Sub-Balance Trade								+625	-147	+1747	+3104	+3094	+4217	+4254
Argentina	13	22	25	30	31	28	26	193	309	289	1162	2372	1265	1300
Brazil	104	34	20	22	16	180	107	210	130	160	253	534	416	591
USA	272	253	350	151	183	155	331	1262	1599	2487	1352	1662	2072	1570
Canada	49	29	32	30	50	21	24	368	359	453	972	1377	1378	1278
Australia	4	5	5	6	11	14	12	325	275	393	775	538	510	404
New Zealand	3	3	3	3	7	8	6	119	42	114	167	168	230	179
TOTAL:	7795	7658	10963	13810	14908	16394	17189	19152	10173	12677	15145	18167	17642	17751
Balance of								-1357	-2505	-1714	-1335	-3259	-1248	-562

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, NO. 9 May 11, 1984

Industrial Production for the First Quarter of 1984

PRODUCT	1st Quarter of 1984	% first quarter 1984 over 1st quarter 1983
Electricity (bil.kw.hrs)	407.0	107.0
Petroleum (inc.gas condensate) (mil.tons)	153.0	99.8
Natural gas (bil.cu.mtrs.)	146.0	109.0
Coal(mil.tons)	186.0	99.8
Steel(mil.tons)	39.0	103.0
Fertilizer (mil.tons)	7.7	104.0
Metal-cutting tools(mil.rubl.)	594.0	111.0
Robots(units)	3.1	174.0
Computer Tech. (bil.rubles)	854.0	113.0
Tractors(1000)	12.7	102.0
Paper(1000 tons)	1.5	105.0
Cement (mil. tons)	31.9	102.0
Meat(mil. tons)	2.4	108.0
Margerine (1000 tons)	408.0	102.0
Watches(mils)	17.0	97.0
Radios(mils)	2.3	102.0
Television sets (millions)	2.2	106.0
Automobiles (1000s)	335.0	102.0

INDUSTRIAL PRODUCTION FOR THE 1ST QUARTER OF 1984

Overall, production continues to increase. Admittedly, there was one extra work day in February because of leap year, and apparently in January because of one less day celebrating the New Year. Nonetheless, production continues to grow at a rather impressive rate for most industrial products. According to the overall general measurement used by the Soviets, the volume of industrial production rose by 4.9%. This seems reflected by the rather high increase shown for the specific industrial products. Some of them have fallen behind the rate established for the first two months of the year, but overall they continue to be higher than they were last year at this time.

Production in the oil industry is of particular interest. The Soviets report production of 153 million tons of petroleum during the first three months of the year. That is exactly the same amount reported during the first three months of 1983. However, as a percentage, the Soviets report that production was only 99.8% of what it had been in the previous year. There may be some difficulty due to rounding off the numbers, but otherwise the impression is that the production was exactly the same. The same problem exists with coal production. Coal production in the first quarter of 1984 was 186 million tons. That was exactly the same for the first quarter of 1983, but again the Russians indicate that coal production was only 99.8% of what it had been earlier. This may reflect the extra day in leap year, but otherwise it is confusing.

Assuming that the figures are meaningful, it also appears as if oil production in March of 1984 was exactly equal to what it was in March 1983, that is, 53 million tons. If that is the

(p. 3)

-2-

Where's the oil, Soviet officials ask

By Marshall Goldman

COMMENTARY

Pravda has confirmed what monthly productions statistics have indicated since October 1983. Soviet oil output has begun to decline, and Soviet economic officials have begun to ask: "Where's the oil?" The drop so far is a relatively small one. Indeed, production in February 1984 was almost as high in February 1983 after allowance is made for leap year. Nor is this the first time that production has declined. Beginning in November of 1981, Soviet production failed to increase four months in a row before it began to rise.

Certainly, Soviet leaders will welcome a similar recovery. Sustaining the level of oil output is important to the Soviet Union. Most of us are unaware of it, but the Soviet Union is the world's largest producer of petroleum. It should come as no surprise to find that the Soviet Union has become very dependent on that petroleum for use in its domestic economy and as an export earner. The 12¼ million barrels a day that the Soviet Union produces is 20 percent more petroleum that the United States is able to produce and double that being produced by Saudi Arabia. The Soviet Union can export about one-quarter of what it pumps. Of the three million barrels a day in exports, one-half of it is used by other communist countries. The other one-half is sold to the capitalist world, where it generates more than 60 percent of the convertible currency the Soviet Union earns. Obviously a drop in petroleum output jeopardizes that export earning capability.

Several factors are cited

The drop in output is the result of several factors. Pravda refers specially to the higher-than-normal rainfall, which complicated production operations in the already swampy regions of West Siberia where the Soviet Union has its major production fields. In addition, many of the Soviet Union's older fields elsewhere are being depleted. Even more important, the ministry of the petroleum industry has been charged with inefficiency and even incompetence. A deputy minister was even arrested for fraud. Existing operations have been handled poorly, and exploration is lagging. The Soviet Union has virtually no off-shore operations of its own, and its geological and production technology is generally regarded to be a decade behind that used in the noncommunist world.

While of a considerable concern, the drop of petroleum production is not nearly as bad as the CIA in April 1977 had predicted it would be at this point. According to that forecast, Soviet production would drop as early as 1978, and no later than 1982. By 1985, production was to be as low as eight to 10 million barrels a day. More important, by 1985, the Soviet Union and its East European allies would be forced to import as much as 3.5-4.5 million barrels and day. Both predictions still seem to be wide of the mark. Production for 1984 will most likely continue to exceed 12 million barrels daily, and production in 1985 should not be much below that.

To the surprise of many observers, the Soviet Union recently increased its petroleum exports, at least to the convertible currency countries of he world. Hard-currency exports of petroleum did drop off by about 15 percent from 1979 to 1981. However, this was largely because of the fact that after the overthrow of the shah of Iran and the subsequent war between Iran and Iraq, oil prices increased sharply.

The Soviet Union normally only exports in order to earn the hard currency necessary to pay for the imports it needs. Thus, when the price of oil rose, the Soviets found that they could earn more by exporting less. By 1982, however, the market for oil began to weaken, and so the Soviets deemed it necessary to increase the volume of their exports in order to ensure an adequate supply of convertible currency. Thus, Soviet exports to countries such as those in Western Europe rose by an impressive 40 percent. During the first three-quarters of 1983, exports rose by another 8 percent.

Price cut put pressure on market

Although the Soviet Union only supplies about 11 percent of all the oil needs of Western Europe, the impact of this significantly increased flow of Soviet oil had several inevitable consequences By seeking to increase its share of oil sales in a recession when demand for petroleum is declining, the Soviet Union found it necessary to cut its export prices. This, of course, put even more pressure on the world market price. Similarly, it meant that some of the usual suppliers from the Mideast were bound to find themselves the victim of the Soviet price-cutting tactics.

Given the fact that the Soviet Union has been doing all it can to use its abundant supply of natural gas in place of petroleum and to force its East European allies to do the same thing, it is likely that short of a precipitious drop in oil output, the Soviet Union will be able to set aside similarly large amounts of petroleum for exports for some time to come. Furthermore, the Soviets have begun to look more earnestly than ever at the prospects of joint exploratory work with foreign firms, particularly offshore. Still the drop in production is worrisome.

Marshall I. Goldman is a professsor of economics at Wellesley College and associate director of the Russian Research Center at Harvard.

CURRENCY FIGURES

Rubles purchased per 100	April 1983	March 1984	April 1984
Austrian shilling	4.25	4.28	4.19
U.K. pound	112.2	113.57	111.60
W. German mark	29.80	30.15	29.39
U.S. dollar	72.50	76.85	79.60
French franc	9.95	9.75	9.58
Japanese yen	.305	.346	.351
Italian lira	.0501	.0484	.0475
Swiss franc	35.48	36.34	35.58

The currency exchange figures released by Gosplan for April 1984 reveal that all currencies have decreased in value, except the Japanese yen, the U.S. dollar and the Swiss franc. Over the last month, only the Japanese yen and the U.S. dollar have shown improvement.

THE CONFERENCE ON THE HUNGARIAN ECONOMY proved to be very interesting. Held this Monday at 1737 Cambridge St., the conference featured the President of the Hungarian Economic Association, Dr. Bela Csikos-Nagy. The morning panel focused on the general political and economic trends in Hungary, assessing the prospects for reform. Professor Charles Gati of Union College and Columbia University; Dr. Bela Csikos-Nagy; and Professor Paul Marer of the Indiana University Business School, presented sketches of the structure and history of the Hungarian economy. Mr. Fulvio Dobrich of Manufacturers Hanover Trust then spoke on the domestic and foreign financing of Hungary's economy.

The afternoon session addressed the status of U.S.-Hungarian trade, beginning with trade specialists John Fogarasi of the Department of Commerce, and Donald Hasfurther of the U.S. Chamber of Commerce. Donald Buyske, Senior Vice President of R & D at S.C. Johnson & Sons; Peter Ernster, Executive Director of Merck Sharp & Dohme, International (Ophthalmics); and Llewelyn Werner, President and Chief Executive Officer of the Crown Coach Corporation in Los Angeles, all discussed their experiences as businessmen doing trade with Hungary.

J. Monahan

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THE RUSSIAN RESEARCH CENTER 1984

SOVIETS CONTINUE TO IMPORT PETROLEUM FROM SAUDI ARABIA

The trade figures for 1983 indicate that the Soviets imported 156 million rubles worth of petroleum from Saudi Arabia. As before, the more likely scenario is that they did not actually import that petroleum into the Soviet Union, but re-exported it either to Eastern Europe or to the hard currency world. This is an increase over the first three quarters of the year, when the exports totaled 110 million rubles, and over the first half of the year when exports were only 30 million rubles. This indicates that this is a continuing policy. In addition, of course, it also looks like the Russians imported petroleum from Iraq, which exported 383 million rubles worth of goods to the Soviet Union in 1983, Iran, which exported 377 million rubles, and Libya, the largest exporter, which exported over a billion rubles worth of goods to the Soviet Union, almost all of which was petroleum.

FOREIGN TRADE FIGURES FOR TRADE WITH EASTERN EUROPE

The Soviet balance of trade with Eastern Europe continues to be positive. It should be remembered that this is not something the Soviets want. Normally they want to have exports just equal imports, as it is more or less with Rumania and Hungary. The Russians continue to have a surplus in their trade with Poland, which is their largest trade surplus among all the East European countries. However, the size of the surplus, in particular with Poland, continues to diminish.

see chart page 4

Industrial Production For the 1st quarter

case or even if production dropped a fraction, it would indicate that the Russians seemed to be coping with their production problems. Readers of this Newsletter will remember that production of oil began to drop in October 1983 and continued to drop until February of this past year, at least on a day to day basis. Now it looks like the drop has been halted or at least reduced in size.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

Million Rubles

	Exports from USSR				Imports to USSR			
	1980	1981	1982	1983	1980	1981	1982	1983
Bulgaria	3660	4375	4885	5511	3439	3697	4288	5053
Czechoslovakia	3648	4382	5048	5872	3536	4105	4732	5420
GDR	4873	5526	6420	6798	4327	5155	5776	6596
Hungary	2982	3307	3707	4058	2757	3300	3746	4007
Poland	4406	4931	4813	5274	3596	3221	4097	4787
Romania	1350	1779	1424	1640	1441	1673	1683	1665
	20,919	24,300	26,297	29,153	19,096	21,151	24,322	27,528
Balance of Trade					+1,823	+3,149	+1,975	+1625

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 10 June 10, 1984

INDUSTRIAL PRODUCTION FOR THE FIRST FOUR MONTHS OF 1984

Product	April 1984	Jan.-April 1984	% Jan.-April 1984 over Jan-April 1983
Electricity (bil.kw.hrs)	121	528	107
Petroleum(incl. gas condensate) (mil. tons)	50.9	204	99.9
Natural gas (bil.cu.mtrs)	47.6	194	109
Coal(mil.tons)	60.7	246	99.7
Steel(mil.tons)	12.7	51.9	102
Fertilizer (mil. tons)	2.6	10.3	104
Metal-cutting tools (mil. rubles)	195	789	110
Robots(1000s)	0.9	4.1	166
Computer tech (bil. rubles)	0.3	1.2	113
Tractors(million horse power)	4.3	17.0	102
Paper(1000 tons)	2.6	10.7	106
Cement (mil. tons)	10.9	42.8	102
Meat(mil. tons)	0.6	3.1	109
Margarine (1000 tons)	131	540	100.7
Watches(mils)	5.6	22.6	97
Radios(mils)	0.8	3.1	102
Television sets (millions)	0.7	3.0	105
Automobiles (1000s)	112	447	102

INDUSTRIAL PRODUCTION FOR THE FIRST QUARTER OF 1984

The main focus of attention in the monthly production figures is oil. According to Soviet statistics, production in April 1984 of 50.9 million tons of petroleum and gas condensate was exactly equal to what was produced in April 1983. That is the clearest indication yet that the Soviets seem to have arrested their decline in oil production. For the four months as a whole, the Russians indicate that production is down a fraction. As a letter from Ted Shabad in this Newsletter indicates, that is probably due to rounding. In other words, the officially reported figure for January - April 1984 is 204 million tons, again equal to what was reported for the comparable period in 1983. Thus the fact that they indicate that it's less than 100% suggests that some of the figures have been rounded.

As for other sectors of industry, it is hard to measure precisely but it looks like economic growth has leveled out a bit. Thus while the rate of growth of electricity and petroleum production is higher than it was a year ago, the Russians do seem to be developing some problems in some of their other industrial sector For example, coal production for the month of April is down, as is steel, margarine and watch production. The drop so far is not a serious one, but it does suggest some slight slippage under Chernenko.

It will be very interesting to see what happens in the future to the livestock herds. So far most of the livestock numbers have been increasing. However, reports of a very serious drought in the Soviet Union may begin to have some impact, and it may very well be that we will see a drop in livestock herds in the future.

DEPARTMENT OF COMMERCE REPORT ON US - SOVIET TRADE

The Department of Commerce reports that for the first quarter of 1984 the Soviets imported 31 million dollars worth of petroleum to the United States. That compares with no imports for the comparable period of 1983. It looks therefore like total exports of petroleum to the United States for the year as a whole will more than exceed the overall figure for 1983, which was about 56 million dollars worth of petroleum.

As for American exports to the Soviet Union, it is noteworthy that American corn exports to the Soviet Union more than doubled during the first quarter of 1984, compared to 1983. At the same time, wheat exports were almost half of what they had been.

The leading American import from the Soviet Union continues to be anhydrous ammonia, and the leading export by value for the first quarter was corn.

Finally, the most important thing is that during this time of tension imports from the Soviet Union nonetheless increased, as did American exports. However as imports doubled, exports increased by a relatively smaller percentage. The increase in American exports was primarily cotton and corn.

see pages

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CURRENCY FIGURES

Rubles purchased per 100	May 1983	April 1984	May 1984
Austrian shilling	4.21	4.19	4.15
U.K. pound	113.59	111.60	111.60
W. German mark	29.64	29.39	29.14
U.S. dollar	72.30	79.60	80.45
French franc	9.87	9.58	9.45
Japanese yen	.312	.351	.348
Italian lira	.0498	.0475	.0472
Swiss franc	35.66	35.58	35.26

The currency exchange figures released by Gosplan for May 1984 reveal that all currencies, with the exception of the U.S. dollar and the Japanese yen, have experienced a decrease both over the last month and the last year. The U.K. pound over the last month has remained the same.

Reprint of a letter sent from Ted Shabad, Editor, Soviet Geography

May 15,1984

Dear Marshall,

With reference to the petroleum and coal figures for the first quarter of 1984 (Newsletter, Vol. VIII, No. 9), it may be safer to assume that the figures are rounded to the nearest million, as shown in the original Soviet report, rather than add a zero decimal, as shown in the Newsletter version.

In the case of oil, a rounded first-quarter output of 153 million tons for both 1983 and 1984 is consistent with a 99.8% change, as shown in the Soviet report. The first quarter of 1983 could have been, for example, 152.9 million tons, and the first quarter of 1984 152.6 million tons, which works out to 99.8% of the 1983 figure. Both would be rounded to 153 million tons.

In the case of coal, similarly, the first quarter of 1983 could have been 185.9 million tons and the first quarter of 1984, 185.5 million tons, which works out to 99.8% of the 1983 figure. Both first-quarter figures can be rounded to 186 million tons of coal.

As always a faithful reader,

Theodore Shabad.

CORPORATE SPONSOR SEMINARS+++++

We are now beginning to plan for our fall series of Corporate Sponsor Seminars. The first one is scheduled for September 24, Monday, and will be held at the Harvard Faculty Club. It will be our third annual background conference for journalists. We hope to be able to announce the program shortly, but it will be much the on the order of the two previous programs. Again, it will be intended primarily for journalists. /// The second conference is scheduled for Monday, October 22, also at the Harvard Faculty Club. This will be our fourth look at energy in the Soviet Union. You might want to mark your calendars for both meetings.

05/03/84
18:35:51

All items in U.S. domestic exports to USSR,
1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; f.a.s. value)

Ag Code Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
Agr	Agricultural	1,664,986	1,855,415	1,457,090	558,360	601,928
Nonagr	Non-agricultural	673,832	733,560	544,861	106,974	111,102
	Total	2,338,818	2,588,975	2,001,951	665,334	713,030
	Total, all items exported to USSR	2,338,818	2,588,975	2,001,951	665,334	713,030

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/03/84
18:26:18

All items in U.S. domestic exports to USSR,
1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; f.a.s. value)

SITC Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
0	Food & live animals	1,600,140	1,642,161	1,194,996	546,497	516,957
1	Beverages & tobacco	400	2,979	874	72	0
2	Crude mat'l--inedible,not fuel	59,350	214,249	264,583	3,066	71,094
3	Mineral fuels, lubricants, etc	62,840	90,013	22,571	8,016	10,196
4	Oils & fats--animal & veg prod	56,089	40,565	21,507	8,798	20,983
5	Chemicals	180,220	287,846	239,398	44,918	37,532
6	Man'd goods by chief material	32,871	25,961	29,729	5,489	4,012
7	Machinery & transport equip	300,814	225,458	149,452	32,234	36,067
8	Miscellaneous man'd articles	45,371	59,129	76,422	16,021	15,714
9	Commodities & transactions nec	722	614	2,419	222	478
	Total	2,338,818	2,588,975	2,001,951	665,334	713,030
	Total, all items exported to USSR	2,338,818	2,588,975	2,001,951	665,334	713,030

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/04/84
19:21:39

All items in U.S. imports for consumption from USSR,
1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; customs value)

SITC Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
0	Food & live animals	2,675	5,236	17,488	1,991	6,185
1	Beverages & tobacco	8,446	9,941	11,744	2,947	1,504
2	Crude mat'l--inedible,not fuel	17,820	9,511	11,481	3,360	5,502
3	Mineral fuels, lubricants, etc	106,795	10,356	55,968	0	31,164
4	Oils & fats--animal & veg prod	19	5	1	0	0
5	Chemicals	93,509	117,307	144,417	45,350	56,612
6	Man'd goods by chief material	100,241	60,555	88,031	11,712	29,419
7	Machinery & transport equip	2,387	1,579	3,382	542	723
8	Miscellaneous man'd articles	2,860	9,053	6,259	504	2,327
9	Commodities & transactions nec	22,673	5,230	2,322	396	417
	Total	357,424	228,792	341,093	66,802	133,852
	Total, all items imported from USSR	357,424	228,792	341,093	66,802	133,852

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/03/84
18:03:22

Leading items in U.S. domestic exports to USSR in January-March 1984, 1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; f.a.s. value)

Sched B Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
1303465	Yellow corn, not donated for r--	781,675	818,768	390,915	113,622	281,002
1306540	Wheat, unmilled, not donated f--	772,563	802,182	800,584	432,429	235,788
3001060	Cotton, not carded, not combed--	0	67	61,338	0	43,326
4807025	Phosphoric acid, 65% or more a--	166,002	268,485	214,810	48,249	32,781
1754100	Soybeans, except seed for plan--	8,432	171,264	157,162	0	14,039
7905510	Pressure sensitive tape with a--	19,692	36,095	58,650	11,757	13,089
1775640	Tallow, inedible----------	48,509	17,887	21,505	8,798	11,856
1762520	Linseed oil, crude----------	6,080	0	0	0	9,127
6640586	Parts, nspf, of boring and dri--	156	20,003	12,978	7,108	7,435
1201400	Cattle hides, whole----------	0	0	10,575	2,988	6,602
4754355	Insulating or transformer oils--	16,139	27,928	13,923	5,634	5,243
5175120	Petroleum coke, calcined--------	33,055	34,269	3,125	1,725	4,950
4661561	Synthetic rubber, not containi--	0	0	8,191	0	3,134
6605460	Parts, nspf, of industrial gas--	360	23	17,144	928	2,855
6640591	Parts, nspf, of earth-moving a--	2,189	1,947	5,166	1,198	2,673
6923840	Parts, nspf, of tractors, exce--	35,387	17,195	14,628	6,075	2,615
6923820	Parts, nspf, of tracklaying tr--	48,538	25,651	16,220	764	2,599
6640513	Drilling and boring machines,---	0	1,512	1,757	454	2,252
6016100	Zinc ore----------	0	0	0	0	2,235
6603040	Parts, nspf, of steam turbines--	12	1,946	1,943	0	1,896
3894222	Rayon fibers in noncontinuous---	0	0	6,176	0	1,667
6922985	Parts, nspf, of motor vehicles--	4,074	5,721	1,675	17	1,644
3382600	Fabrics, woven, of manmade fib--	8,305	6,841	6,960	1,986	1,603
6783512	Tire-building machines, includ--	4,732	0	0	0	1,198
6055660	Platinum products, nspf, not r--	0	0	0	0	1,127
6619880	Parts, nspf, of filtering and---	1,368	1,777	1,920	278	1,081
4868900	Herbicide preparations, nesf----	3,004	0	693	0	1,057
6605445	Parts of compression-ignition---	1,139	2,844	2,011	627	692
5176100	Electrodes, carbon or graphite--	423	1,569	1,197	579	683
4744160	Industrial varnishes----------	1,184	2,220	3,362	420	659
	Total----------	1,963,019	2,266,193	1,834,609	637,635	696,830
	Total, all items exported to USSR----------	2,338,818	2,588,975	2,001,951	665,334	713,030

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/06/84
19:16:35

Leading items in U.S. imports for consumption from USSR in January-March 1984, 1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; customs value)

TSUSA Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
4806540	Anhydrous ammonia	78,414	88,765	85,722	26,186	33,326
4751015	Light fuel oils a tcr 25deg	80,706	0	48,913	0	31,164
4803000	Urea, nspf	0	10,434	38,913	15,197	19,229
6050260	Palladium, palladium	31,142	24,836	41,849	5,634	18,430
6050750	Palladium bars plates etc	2,815	1,685	4,343	571	5,883
1143000	Crabs fresh chilled frozen	0	2,107	12,790	1,497	5,644
1241045	Sable furskins, whole, raw	8,120	7,164	7,803	2,879	3,570
4805000	Potassium chloride or	0	4,600	4,134	2,288	2,345
7650300	Paintings, pastels, drawings	96	115	3,102	53	1,904
6063546	Ferosilicon cont ovr 30%	0	0	2,804	0	1,319
6050710	Platinum bars,plts sheets nt	1,413	1,197	2,356	220	1,319
1693800	Vodka in containers not over	5,799	7,173	9,883	2,525	1,209
4800500	Limestone for fertilizer	0	0	2,210	0	1,205
4017415	Ortho-xylene	0	0	0	0	889
2452020	Hardboard, not face finished	1,977	1,569	1,359	228	552
6050220	Platinum sponge platinum	4,626	3,961	3,003	605	422
6181000	Aluminum waste a scrap	2,996	0	0	0	422
4209800	Sodium chromate and	78	712	1,013	424	342
1133000	Sturgeon roe frsh, chilled,	1,203	1,022	788	218	324
6050760	Rhodium bars plates etc	0	332	1,478	0	308
7662568	Antiques nspf	485	526	1,005	130	272
6876610	Electronic receiving	0	275	452	173	269
6200300	Unwrought nickel	37,776	12,182	19,268	1,132	268
1693700	Vodka in containers not over	1,406	2,173	1,220	308	227
4230030	Rare-earth oxides except	896	1,144	1,237	378	203
6052020	Gold bullion, refined	21,368	1,493	1,438	264	193
6923606	Tractors, wheel ex gardn new	1,017	7	735	224	187
6050270	Rhodium, rhodium content	3,475	3,475	2,105	563	183
7711000	Rubber waste and scrap	0	0	229	0	158
2451000	Hardboard, n/face-finished	29	436	731	0	143
	Total	285,837	177,382	300,887	61,698	131,908
	Total, all items imported from USSR	357,424	228,792	341,093	66,802	133,852

Source: Compiled from official statistics of the U.S. Department of Commerce.

7/16/84 U2030-1 A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 11 July 7, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 5 MONTHS OF 1984

PRODUCT	May 1984	Jan-May 1984	%Jan-May 1984 over Jan-May 1983
Electricity (bil.kw.hrs.)	113	640	106
Petroleum (incl. gas condensate) (mil. tons)	52.6	256	99.9
Natural gas (bil.cu.mtrs)	48.1	242	109
Coal (mil.tons)	56.8	303	99.7
Steel (mil.tons)	13.1	65.	102
Fertilizer (mil. tons)	2.7	13.	103
Metal-cutting tools (mil. rubles)	194	983	109
Robots (1000s)	1.1	5.1	158
Computer Technology (mil.rubles)	0.3	1.4	114
Automobiles (1000s)	105	552	102
Tractors (1000s)	4.1	21.1	102
Paper (1000 tons)	0.5	2.4	104
Cement (mil.tons)	11.3	54.0	102
Meat (mil. tons)	0.7	3.7	100
Margarine (1000 tons)	115	655	98
Watches (mils)	5.5	28.0	96
Radios (mils)	0.8	3.9	102
Television sets (millions)	0.3	1.5	107

INDUSTRIAL PRODUCTION FOR THE FIRST FIVE MONTHS OF 1984

Industrial production for the first five months of 1984 seems to be on the upswing for many of the items listed here. Comparing January-May 1983 with January-May 1984, all items have either increased or remained the same, with the exception of coal, paper products, margerine, television sets, fertilizer and tractors.

The industries demonstrating the largest increases over the last year (May 1983 to May 1984) are: electricity, which went from 109 to 113; Natural gas, up from 44.5 to 48.1; and metal-cutting tools, which went from 181.0 to 194! Computer technology was recorded at 0.3 both last May and this May, while the other items on the list have essentially remained the same, fluctuating only slightly.

Comparing the first 5 months as a whole of 1983 and 1984, margarine fell from 667 to 655; paper from 12.9 to 2.4; television sets from 3.5 to 1.5; coal from 304 to 303; and watches from 29.1 to 28.0. Inexplicably, there seems to have been a tremendous drop in the figures for tractors and fertilizer: tractor production went from 238 to 21.1, and fertilizer production from 101.3 to 13.0.

Jean Monahan

CURRENCY FIGURES

Rubles Purchased Per 100	June 1983	May 1984	June 1984
Austrian shilling	4.11	4.15	4.17
U.K. pound	113.96	111.60	110.86
W. German mark	28.97	29.14	29.32
U.S. dollar	74.00	80.45	80.10
French franc	9.62	9.45	9.54
Japanese yen	.305	.348	.346
Italian lira	.0488	.0472	.0474
Swiss franc	34.78	35.26	35.48

The currency exchange figures released by Gosplan for June 1984 reveal that the Austrian shilling, West German mark, French franc, Italian lira and Swiss franc have all shown improvement over the last month. Over the last year, only the Austrian shilling, West German mark, U.S. dollar, Japanese yen and Swiss franc have shown improvement.

The RUSSIAN RESEARCH CENTER takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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U.S. TRADE WITH EASTERN EUROPE FOR THE FIRST QUARTER OF 1984

According to the Department of Commerce, while both U.S. exports and imports to and from Eastern Europe increased during the first quarter of this year compared to the previous quarter of last year, U.S. imports from Eastern Europe increased considerably more. As a result the United States now has a significant trade deficit with Eastern Europe, or at least did in comparison to the first quarter of 1983. In fact, as a look at the total figures for 1981, '82 and '83 suggest beginning in 1983, what had been healthy trade surplus has now turned into a trade deficit, undoubtedly linked to the very strong American dollar. The biggest gain in imports was in Naptha and Motor fuels, Urea, of all things corn, aluminum sheet and textiles. The biggest increase in exports was in soybeans and sorghum. The two products together accounted for virtually all of the increase.

The country that accounted for the biggest growth in American imports from Eastern Europe was Rumania. We imported 111 million dollars more goods in the first quarter of 1984 than we had in the preceding year. Most of that was Naptha or other petroleum-based derivatives. The next largest increase in imports was from Hungary, which sold us 14 million dollars more. The other changes were minor, and our imports from Poland actually dropped.

see charts, pages 4, 5 & 6

US-Soviet relations may thaw in fall

By Marshall I. Goldman

COMMENTARY

Everyone I meet these days asks, "Are American-Soviet relations so bad?" As with so many questions, the answer is yes and no. Yes, our relations are poor, and it is hard to see any signs of improvement between now and at least the US election. More important, there is a danger that the hostilities may take on a momentum of their own, so that it may be difficult to reverse course. Out of anger and frustration, each side may feel itself so aggrieved that it may be difficult to resume a less vitriolic relationship.

At the same time, as tense as things are, they have not yet reached the near combustion condition of the 1950s. The links become more tenuous each day, but so far they continue to exist. The hope is that there will be no new crisis between now and the elections. Then with luck and politics out of the way, both sides are more likely to seek a somewhat more reasonable relationship.

Both countries are at fault

It is not hard to attribute blame for the present depressing condition. We are both at fault. Ronald Reagan swept into office determined to redress the decline in relative military strength. When the United States reduced real expenditures on weapons after Vietnam, the Soviets steamed ahead. Reagan and his advisers realized that given the trend the Soviet Union would soon surpass US military strength. Thus the United States moved quickly and vigorously to accelerate its rate of development.

The Soviets saw this as a threatening development, but they probably could have lived with it. Indeed, they had great expectations from the Reagan Administration. They were expecting a repeat of the Nixon Administration – tough words and acts, but Richard Nixon, after all, initiated detente.

To their horror, however, Reagan seemed to be quite different from Nixon. Given the Soviet invasion of Afghanistan, its exile and abuse of scientist Andrei Sakharov, Reagan had plenty to attack. In fact he seemed so intent on principle that the Russians began to sense that everything else was being sacrificed in a drive to destroy the Soviet Union. Nor did Reagan's rhetoric that "the Soviet Union was the focus of evil" help. In truth, the shock the Soviets expressed over Reagan's words was in part disingenuous. After all, the Soviet press is filled with comparable language about the United States. But when Reagan decided to match Soviet words as well as Soviet missiles, their worries increased.

Nor did it help that, at least since 1980, the Soviet Union has found itself either preparing for a leadership transition or in a state of transition. Because of old age, sickness and death, it has become hard not only for foreigners but also for Soviet leaders to determine who is in charge. Thus, Yuri Andropov and Konstantin Chernenko both started out by expressing their hopes for closer US-Soviet relations. But in both cases Andrei Gromyko seemed to emerge as the foreign-policy decision maker, and it has become clear that he has become anti-Reagan, if not anti-American.

Approaching 75, Gromyko has outlived most of those who at one time derided him as being not much more than an errand boy. His current authority is reflected in his demeanor. During the May visit of West German Foreign Minister Hans-Dietrich Genscher with Chernenko, Genscher was struck by the fact that Gromyko "often interrupted and took over in all substantative matters." This would have been unheard of under Nikita Khrushchev or during the healthier years of Leonid Brezhnev. Similarly, Gromyko himself reportedly telephoned Georgy Arbatov and ordered him not to sign a renewal of the US-Soviet cultural-exchange agreement. Under normal circumstances, such a minor matter would not be worth the time of the minister of foreign affairs. But it seems clear that Gromyko is determined to show that there can be no traffic between the two nations as long as Reagan is in power.

Trade officials in low-level meeting

Of course some contact between the two nations continues. Trade officials in both countries just had a low-level meeting in Washington last month, the first in two years. Some trade still flows, including a just-signed agreement to sell $5 million worth of US equipment to make paper milk cartons.

After the election, both Soviet officials and the US President will have a chance to reappraise their policies toward one another. Reagan, assuming he is re-elected, already has signaled that he is more amenable to meeting with the Soviets and to showing flexibility over the installation of missiles than he was six months ago. Indeed, he seems generally perplexed about why the Soviets so fear the United States. There is also a good chance that the Soviets will prove to be as flexible as they were after the German elections. In any case, it is unlikely that Chernenko or Gromyko will last too much longer.

A change in leadership may make possible some new opportunities. Once the election is over, the Soviets may decide that it is time to resume negotiations. Presumably that will be the case whether Reagan is re-elected or not. Four years is too long to wait for a new President, even for the Soviets.

Marshall I. Goldman is professor of economics at Wellesley College.

05/08/84
18:45:48

All items in U.S. domestic exports to EASTERN EUROPE,
1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; f.a.s. value)

SITC Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
0	Food & live animals	1,372,971	474,670	321,173	82,122	98,071
1	Beverages & tobacco	26,503	11,245	21,763	7,337	2,373
2	Crude mat'l--inedible,not fuel	176,576	206,588	254,519	77,704	93,441
3	Mineral fuels, lubricants, etc	41,107	17,399	16,201	7	2,130
4	Oils & fats--animal & veg prod	14,389	16,465	13,482	2,529	1,438
5	Chemicals	78,417	79,194	67,351	5,689	8,869
6	Man'd goods by chief material	30,088	23,060	25,080	5,235	7,833
7	Machinery & transport equip	121,417	107,529	84,964	18,986	17,042
8	Miscellaneous man'd articles	28,090	35,935	27,638	5,516	4,869
9	Commodities & transactions nec	8,472	24,301	44,525	8,680	12,905
	Total	1,898,029	996,387	876,695	213,806	248,971
	Total, all items exported to EASTERN EUROPE	1,898,029	996,387	876,695	213,806	248,971

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/08/84
18:41:15

All items in U.S. imports for consumption from EASTERN EUROPE,
1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; customs value)

SITC Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
0	Food & live animals	179,507	134,417	162,492	51,405	46,031
1	Beverages & tobacco	24,481	23,849	34,951	8,912	7,842
2	Crude mat'l--inedible,not fuel	14,858	9,329	9,584	2,289	1,909
3	Mineral fuels, lubricants, etc	151,759	99,431	281,786	42,300	125,927
4	Oils & fats--animal & veg prod	1,047	430	0	0	0
5	Chemicals	36,371	33,327	53,305	11,674	24,767
6	Man'd goods by chief material	327,331	148,040	154,109	31,344	50,744
7	Machinery & transport equip	231,946	144,951	107,919	25,754	37,898
8	Miscellaneous man'd articles	213,629	222,641	202,014	44,215	50,986
9	Commodities & transactions nec	3,937	7,275	4,318	614	728
	Total	1,184,865	823,691	1,010,479	218,508	346,882
	Total, all items imported from EASTERN EUROPE	1,184,865	823,691	1,010,479	218,508	346,882

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/08/84
18:24:06

Leading items in U.S. imports for consumption from EASTERN EUROPE in January-March 1984, 1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; customs value)

TSUSA Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
4753500	Naphthas derived petroleum,-----	49,975	19,786	24,017	0	53,522
4752520	Gasoline----------	90,241	69,846	207,709	41,936	43,004
1073525	Pork hams & shouldrs, boned,----	127,271	87,409	119,996	35,379	24,104
4756530	Liquid derivatives of----------	0	0	0	0	23,600
6923288	Parts nspf of motor vehicles----	21,079	12,045	18,740	3,778	9,836
4803000	Urea, nspf----------	2,893	1,760	10,885	0	9,014
1922520	Hogs, nspf----------	0	8,424	5,733	5,462	6,722
1303000	Corn or maize certified---------	4,507	5,041	0	0	5,700
4751015	Light fuel oils a tcr 25deg-----	8,908	7,701	36,246	0	5,575
1702800	Cigarette leaf, not stemmed,----	18,391	17,659	25,835	5,870	5,500
6182563	Aluminum sheets and strip, n--:	0	0	0	0	4,559
4805000	Potassium chloride or----------	4,150	3,290	8,557	3,829	4,244
3799565	Mens and boys suits manmade-----	0	3,796	3,314	1,278	4,233
6869030	Other lamps including----------	9,330	11,456	10,707	3,082	4,028
7004540	Footwear, leather, cement-------	14,211	20,568	21,439	3,845	3,679
6923406	Tractors, wheel ex gardn new----	10,754	12,192	5,653	1,339	3,630
6923460	Parts of agricultural----------	10,718	8,704	3,094	697	3,452
3359500	Other woven fabric of veg-------	10,697	12,789	6,063	1,717	3,418
3835395	Womens girls infants other------	0	341	504	57	3,058
6081330	Ir o st sht, zinc coated not----	0	0	1,355	15	2,651
3833415	Oth womens raincoats over $4----	0	6,909	4,456	2,052	2,370
5466020	Imblrs, qblts, a stmwre ov------	8,200	6,752	8,491	1,774	2,310
5466640	Gl tbl kthn cookwre nt cut-----	1,826	1,318	2,892	532	2,302
6462622	Nails etc iron/steel, smooth----	5,469	1,956	4,961	841	2,249
7725109	Pneumatic tires, new, for-------	0	3,619	7,959	2,374	2,114
7271500	Furniture and parts of----------	7,386	7,606	7,028	1,995	2,108
3798355	Mens or boys other wool ntkt----	0	13,891	9,470	2,844	1,879
7002960	Footwear for men, leather,------	5,972	14,453	6,741	1,379	1,737
4806550	Nitrogen solutions-------------	0	0	4,654	0	1,731
6071700	Steel wire rods no alloy not----	114	2,265	8,763	2,089	1,707
	Total----------	412,091	361,578	575,305	124,165	244,033
	Total, all items imported from EASTERN EUROPE-------	1,184,865	823,691	1,010,479	218,508	346,882

Source: Compiled from official statistics of the U.S. Department of Commerce.

05/08/84
18:36:58

Leading items in U.S. domestic exports to EASTERN EUROPE in January-March 1984, 1981, 1982, 1983, January-March 1983, and January-March 1984

(In thousands of dollars; f.a.s. value)

Sched B Number	Description	1981	1982	1983	January-March-- 1983	January-March-- 1984
1754100	Soybeans, except seed for plan--	49,620	84,751	125,056	41,200	60,291
1303465	Yellow corn, not donated for r--	914,105	296,923	118,231	34,265	35,389
1845260	Soybean oil cake and oil-cake---	275,628	83,778	121,520	22,878	33,606
1201400	Cattle hides, whole----------	39,027	61,456	65,428	20,412	18,910
1304040	Grain sorghum, except seed-----	0	0	0	0	15,135
8183900	Commodities nspf, donated for---	4,608	20,489	40,648	7,423	10,674
4809500	Other fertilizers, including c--	0	0	32	0	9,493
1301040	Barley, nspf----------	13,704	0	7,002	0	7,045
1306540	Wheat, unmilled, not donated f--	54,589	14,228	6,139	0	2,758
6923840	Parts, nspf, of tractors, exce--	4,462	6,923	3,879	1,081	2,309
6055560	Platinum products, nspf, not r--	69	42	16	16	2,208
5213110	Low volatile bituminous coal a--	15,399	11,180	16,145	0	2,111
4040580	Hydrocarbons, cyclic, excl der--	0	2,287	657	0	1,822
6765560	Parts, nspf, of automatic data--	5,672	5,706	4,992	1,056	1,545
8188000	Shipments valued $10,000 and u--	0	0	0	0	1,525
8183100	Food products, nspf, donated f--	4,512	14,437	4,876	768	1,328
1777390	Animal oils, fats, and greases--	0	215	1,607	0	1,305
1703340	Tobacco, burley leaf cigarette--	2,718	1,835	5,321	3,550	1,267
1706500	Cigarettes----------	10,694	3,277	6,204	1,344	1,091
8184000	Used wearing apparel and other--	1,016	6,116	3,549	1,117	1,086
5404200	Glass rods, tubes, & tubing, n--	3,010	2,722	3,246	1,025	1,064
4353300	Corticosteroids, nspf, bulk-----	2,499	810	685	0	990
3094242	Polyester fibers in noncontinu--	276	1,056	2,121	215	975
6660059	Agricultural and horticultural--	297	165	276	245	951
6640588	Parts, nspf, of excavating mac--	133	621	3,646	1,788	895
1303440	Corn seed, except sweet corn s--	1,577	1,707	1,318	828	893
6743598	Metalforming machine tools, ne--	31	1,114	0	0	877
6785065	Machines for production & asse--	2,240	332	1,508	6	798
1314030	Wheat flour, except durum and---	115	7,780	7,382	1,860	707
4868900	Herbicide preparations, nspf----	651	113	89	89	690
	Total----------	1,403,651	630,062	551,570	141,168	219,738
	Total, all items exported to EASTERN EUROPE---------	1,898,029	996,387	876,695	213,806	248,971

Source: Compiled from official statistics of the U.S. Department of Commerce.

8/6/84 U2030-1 A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 12 AUGUST 5, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST SIX MONTHS OF 1984

Product	Jan.-June 1984	% Jan.-June 1984 of Jan-June 1983
Electricity (bil.kw.hrs)	749	106
Petroleum (incl. gas condensate) (mil.tons)	307	99.9
Natural gas (bil.cu.mtrs)	288	109
Coal (mil. tons)	361	99.5
Steel (mil. tons)	77.7	102
Fertilizer (mil. tons)	15.6	104
Metal-cutting tools (mil. rubles)	1190	109
Robots (100s)	6.8	144
Computer Technology (mil.rubles)	1.8	113
Automobiles (1000s)	661	101
Tractors (1000s)	25.3	102
Paper (1000 tons)	2.9	103
Cement (mil. tons)	65.0	102
Meat (mil.tons)	4.8	109
Margarine (1000 tons)	766	96
Watches (mils)	33.6	96
Radios (mils)	4.6	100.6
Television sets (millions)	4.5	105

INDUSTRIAL PRODUCTION FOR THE FIRST SIX MONTHS OF 1984

On the whole the Soviet economy continues to show relatively satisfactory growth. For example, production in such key industries as electricity, gas and machine tool production is going at a rate that is faster than the comparable rate last year. This is a bit of a surprise given the fact that there was some expectation that production would falter under Chernenko. Certainly in certain key areas production growth has been sustained, if not increased.

At the same time there are some problem areas. For the first six months of the year, coal production is 2 million tons less than it was last year. In other areas the rate of growth is not as high as it was last year. This holds true in the production of automobiles, paper and cement.

The rate of petroleum production is also lower than it was last year at this time. In fact, according to the Soviet report on percentage of production, the reported figure shows a slight drop of a half of a percent. However, as has been true the last several months, overall production in absolute terms of 361 mil. tons is the same as it was reported last year for the first six months. There may still be a drop in production because the figures may be rounded off. However, comparing production as of June 1984 , petroleum was approximately 51 million tons for the month of June, which makes it comparable to what production was in June 1983. This again suggests that the drop in production which took place in late 1983 and early 1984 has been halted at least temporarily.

Food and agricultural production: based on the figures reported about retail sales and the size of livestock herds, it appears that the Soviet economy is responding to

consumer needs. However, again there are some warning signs, particularly in light of recent reports about the drought in the Volga region. First of all it is noteworthy that fruit and vegetable production seems less satisfactory during the first six months of 1984 than it was a year ago at this time. For example, whereas sales of potatoes increased 7% last year, for the first six months of this year they increased only 4%. Similarly, fruit sales rose 8% for the first six months of last year but rose only 6% this year. An even more striking contrast is the fact that vegetable sales rose 13% but last year but actually dropped 2% this year.

The situation is much more complex as regards meat in the State stores. Meat sales rose 9% during the first half of 1984 compared to only a 3% rise last year. However there is some reason to believe that this is not necessarily a happy circumstance. The reason for that is that there are reports suggesting that fodder production has been poor this year. This might be reflected in the fact that the buildup of some livestock herds has not been as rapid in the first six months of 1984 as it was last year at this time. And unlike last year, the stock of sheep and goats is actually down a small amount. Given the fact that American grain dealers report that the Soviets have purchased record amounts of grain for summer delivery, there may be some new problems in Soviet agriculture. Normally the Soviets do not like to have too much delivery of grain in the summer and early fall because it tends to clog their internal distribution channels. However they have taken orders this year despite such a consequence. In addition they are purchasing large amounts of grain and there is already indication that they may seek to exceed the maximum amount that they can purchase without special permission as specified by the Soviet-American grain agreement.

NEW CORPORATE SPONSOR SERIES

For the ninth year in a row, the Russian Research Center announces its Corporate Sponsor series. The first seminar of the year will focus on Energy in the Soviet Union. The session will take place on October 22nd, at the Harvard Faculty Club. We will examine the availability of energy supplies in the Soviet Union, and the impact of Soviet energy sales on the rest of the world.

A copy of the program is enclosed along with a registration form. There may be one or two speakers from the U.S. government who will be in attendance.

The RUSSIAN RESEARCH CENTER takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the author, Marshall I. Goldman

THE RUSSIAN RESEARCH CENTER 1984

JOURNALIST ORIENTATION

For the last three years, the Russian Research Center has sponsored an orientation designed primarily for journalists. The hope is to provide journalists with a general background about the Soviet Union to aid them in their covering of the news inside the Soviet Union, and their editing of the news in this country. Unlike our usual seminars we meet the whole day through dinner, and a discussion afterwards. The special guests this year will be David Shipler, author of a best-selling book on the Soviet Union, and a former bureau chief of the New York Times in Moscow; Marvin Kalb, who is the diplomatic correspondent for NBC News; and Samuel Rachlin. Mr. Rachlin is the Danish television correspondent in Moscow who is presently on leave at Harvard as a Nieman Foundation and Russian Research Center Fellow. The program is also included in this Newsletter, along with a registration form.

BALANCE OF TRADE FOR THE FIRST QUARTER OF 1984 -- SOVIET STATISTICS

The Soviets seemed to have tightened their belts considerably during the first quarter of 1984. Whereas they have had a trade deficit of at least 1.2 billion rubles in the countries covered by our analysis since 1979, during the first quarter of 1984 they managed to reduce it to just 100 million rubles. That was accomplished by increasing exports by about 500 million rubles, but more impressively, particularly at a time of rising prices, by cutting their imports by about 700 million rubles. The change in the trade balance with Western Europe and Japan was especially dramatic. From a trade surplus of 142 million rubles in the first quarter of 1983, the Soviets increased it this year

to over 1 billion rubles. The cut back in hard currency imports hit not only countries like Germany and Japan, (by at least 130 million rubles), but also the grain exporting nations. Shipments from Canada fell by about 160 million rubles, and even Argentina found that its shipments were cut back by about 40 million rubles. In contrast exports from the United States rose.

Overall the drop in the trade deficit shows impressive discipline by the Soviet Union.

see page 6

U.S. - SOVIET TRADE FOR THE FIRST FIVE MONTHS OF 1984

Given the analysis of the balance of trade between the Soviet Union and most of the hard currency countries for the first quarter of 1984, it is particularly interesting to see how American-Soviet trade was affected. As mentioned earlier, the Soviets reported that their purchases of American goods increased. While the figures in the accompanying table prepared by the Department of Commerce are for a five, not a three month period, they do show that American exports to the Soviet Union did rise by about $400 million. Primarily that is a reflection of increased shipments of corn. As the accompanying table shows, corn shipments rose by almost $500 million during the first 5 months of 1984 over what they were in the first 5 months of 1983. Again, referring to the discussion earlier about the reported drop in fodder production for the livestock, this suggests that the Soviets found it necessary to increase their purchases of corn for livestock. This also seems to fit in with the finding that the Soviets cut back their imports from Canada, Australia and Argentina. Those are primarily wheat exporting countries, not corn exporting. The United States sold less wheat to the Soviet Union during the first five months of 1984 as well. Wheat exports to the Soviet Union fell by approximately 140 million.

It is also noteworthy that cotton exports to the Soviet Union increased. Apparently there had been some problem with Soviet cotton processing, particularly as regards quality. A recent report of the discussions in the Politbureau indicated that Politbureau devoted considerable attention to increasing both quantity and quality of cotton production.

see pages 7-10

Comment on Boston Globe article..

Although the following article reprinted from the Boston Globe focuses primarily on China, the reforms being conducted in China are interesting for Soviet and East European observers as well. In many ways the Chinese are the most adventuresome of all the Communist world countries. Their reforms are much bolder than those being conducted in Hungary. The Hungarians are attempting to change industrial prices as well, but so far their success has been relatively limited. That is the only area where the Hungarians seem to be moving ahead of the Chinese however. In almost all other respects the Chinese are much more advanced, particularly with their willingness to let in foreign firms. The contrast of course with the Soviet Union is stark. The Soviets have done almost none of the things that the Chinese are doing.

Finally, most important of all is what happens when these reforms are introduced. The article attempts to show the opposition that develops in reaction to such activities. By no means have the Chinese completed all of their reforms, and by no means is it clear that there won't be even more opposition in the future.

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14 The Boston Sunday Globe July 29 1984

Deng's leadership

By Marshall I. and Merle Goldman
Special to The Globe

"It is ironic. The poor have become rich, and the rich have become poor." This observation of a high-level intellectual in Peking describes the unanticipated consequences of the economic reforms under way in the People's Republic of China.

The leadership under Deng Xiaoping has embarked on one of the most ambitious economic revolutions of the 20th century. It appears to be rushing headlong away from the Soviet or Stalinist model by decollectivizing agriculture, shifting the emphasis from heavy industry to consumer goods, allowing foreign capitalists to open up partly or even wholly owned subsidiaries on Chinese soil and decentralizing some industrial decision-making.

boosts peasants

Although Mao Tse-tung came to power by promising to address the needs of the peasants, when the Communist Party took over control of China Mao's policies of utopian socialism impoverished rather than enriched the peasantry. Moreover, in recent years Chinese leaders came to realize that China's economy had fallen far behind almost every other country in the Pacific Basin. Now, by rejecting what Mao did and trying to undo 30 years of economic chaos and structural disproportions, the present leadership is finally enriching the peasants and trying to modernize the economy.

Today the peasants are basically allowed to determine their own work routine. No longer are orders issued by commune leaders. Instead, family units or groups of families set up their own work schedules on parcels of land that have been assigned to them for 10 to 15 years, as if they were their own. Once the peasants deliver their assigned quotas of output to the state, they can plant whatever they wish and with the output of these plots along with that from their private plots, they can sell to whomever they want at whatever price they can obtain.

On a recent trip to China, we saw impressive signs of increased peasant income and wealth in the new two-story concrete peasant homes that have sprung up outside Shanghai, and in the brick peasant courtyards around Peking. Peasants boasted of their new living quarters and proudly showed off their refrigerators, washing machines and color televisions, all of which had been acquired within the last three years.

This trend is further reflected by the scenes of peasants briskly selling their products on country roads and city streets. Conditions have improved so that some urban residents are now attempting to move back to the countryside, but are being prevented by peasants who do not wish to share their newfound wealth.

For the most part, urban residents – factory workers, government bureaucrats and intellectuals – now find that their standing relative to the peasants has deteriorated. As one member of an official family put it, "Before I never had to worry about having enough cash to buy what I wanted." Such officials could always go to state stores or special stores for the elite to buy goods at fixed prices. Now that prices for better quality food and other goods delivered earlier in the season in the free market shops have increased, they find that they are short of cash.

For those on fixed incomes, even high fixed incomes, inflation tends to generate a sense of social as well as economic deterioration in their relative standing. In part their perception is affected by the fact that there is more to buy, but also by the fact that others are becoming relatively better off than they are. Not only the peasants, but even some of the new private shopkeepers and peddlers make four times as much as factory workers, officials and intellectuals.

For example, a retired truck driver we met had set himself up as a shoe repairman on a street corner. Unlike the official repair stores which charge very little for their service but take forever to return the shoes, our cobbler friend charged considerably more but provided while-you-wait repairs. In exchange for providing such service, he earned 200 to 300 yuan a month, almost three times more than our intellectual host who had mixed feelings about the whole phenomena. In the same way the driver of our car was openly envious of the peasants we had met and their newly built homes filled with recently purchased appliances. For the peasants, this was a form of sweet revenge after having been so badly treated for so long. For our driver, this was an unsettling transformation.

This lifting of state controls has been primarily applied to agriculture and private shopkeepers and repairmen in the cities. Recently some intellectuals in Sichuan have been allowed to hire themselves out as private consultants, and at times factory workers moonlight in the evening to pick up extra income. But the windfalls have not yet benefited most urban residents. Not surprisingly, the new Chinese rich have engendered jealousy among those who feel left behind.

How long will this be tolerated by the establishment, some of whom still retain socialist beliefs? Moreover, the decision to allow foreigners to open wholly owned factories and joint ventures in China has upset some old believers. Reportedly, one senior army general cried when he was taken to see one of the open trade zones. In his mind this was a throwback to the treaty port exploitations of prerevolutionary China. Why had they bothered to fight the revolution in the first place, he asked, if all the gains were now being reversed?

So far Chinese authorities seem reluctant to open up the industrial sector to the same broad-ranging reforms that are so evident in agriculture. While there have been some minor reforms in the industrial sector, and the promise of more to come, thus far, prices for most manufactured goods and the allocation of resources are still closely controlled by the state. Once they fulfill their production targets, some factory managers are now allowed to sell a certain amount of their product to private shop operators and factory managers can use a portion of the profits for reinvestment and bonuses. But for the most part, Chinese officials fear the increase in inflation and the loss of control such reforms in industry would bring. As one official put it, "Economic reform does not mean a loosening of all controls."

But how long can China settle for half a reform? The economic miracle in most of the other countries in Asia began with a surge in agricultural wealth which then served to stimulate the industrial sector. How long can China restrict the reform to the agricultural sector and insulate the industrial sector from the growing winds of change? If it does not allow considerably more flexibility in the industrial sphere, it risks the growing resentment by the factory workers, the bureaucracy and the intellectuals. But, turning loose the industrial sector undermines State control. The Chinese are facing a brave new world. The decisions they must make will not be easy.

Marshall I. Goldman is professor of economics at Wellesley College and is acting director of the Russian Research Center. Merle Goldman is professor of history, Boston University, and an associate of the John F. Fairbanks Center for East Asian Research.

CURRENCY FIGURES

Rubles Purchased Per 100	July 1983	June 1984	July 1984
Austrian shilling	4.08	4.17	4.12
U.K. pound	113.37	110.86	107.80
W. German mark	26.86	29.32	28.93
U.S. dollar	74.10	80.10	82.50
French franc	9.54	9.54	9.43
Japanese yen	.308	.346	.340
Italian lira	.0485	.0474	.0472
Swiss franc	35.05	35.48	34.22

The currency exchange rates released by Gosplan for July 1984 reveal that all currencies listed here have decreased over the last month, with the exception of the U.S. dollar. Over the last year, the Austrian shilling, W. German mark, U.S. dollar have improved, all others decreasing or remaining the same, as the French franc did.

Excerpts from a letter to the Editor:

"A couple of errors crept into your commentary on Soviet industrial production for the first five months of 1984...

You referred to declines in paper and television sets and to an 'inexplicable tremendous drop' in the figures for tractors and fertilizer. In fact, all of these items increased, as a glance at the percentage change shows: paper was up 4%, TV sets by 7%, tractors by 2% and fertilizers by 3%.

In tractors, it is a matter of a different set of measurement units that seems to have led you astray. The 1983 figure was in thousands of tractors, and the 1984 figure in million horsepower.

In the other items, the eye appears to have skipped to the wrong line. For paper, the 1983 Newsletter erroneously listed the figure for newsprint only (in billion square meters) and you compared it with all paper production (in million tons). For television sets, you compared the 1983 figure for all TV sets with the 1984 figure for color sets only. Finally, for fertilizers, the 1983 figure you cite applies to iron-ore production, not fertilizers.

It may be worth pointing out that among the items that did, in fact, decline, is the much talked-about petroleum, which continues to run just below the 1983 level."

Theodore Shabad, Editor, Soviet Geography
July 12, 1984

(From the Editor:
As usual Mr. Shabad is correct. We thank him for correcting our errors. We should note, however, that it looks like the drop in petroleum production mentioned in his last paragraph has been halted, or at least there seems to have been no drop since January or early February).

BALANCE OF TRADE - 1st QUARTERS OF 1980, 1981, 1982, 1983, 1984

(Million Rubles)

	EXPORTS FROM THE USSR					IMPORTS TO THE USSR				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Austria	131	189	196	149	167	72	137	119	188	230
Belgium	192	105	280	230	194	88	125	198	152	142
Great Britian	163	148	219	227	307	260	300	169	208	183
Greece	91	99	121	36	64	25	30	37	35	32
Denmark	44	31	94	68	60	23	108	29	19	36
Spain	46	65	30	68	54	31	131	61	84	65
Italy	366	474	589	745	721	216	247	292	392	294
Netherlands	234	189	317	378	371	61	158	142	129	58
Norway	12	20	9	10	29	19	20	17	18	27
Germany	465	477	1001	851	1119	840	722	744	940	800
France	424	485	471	432	572	470	468	348	491	473
Switzerland	73	15	87	139	83	125	181	118	121	90
Sweden	51	30	66	116	129	69	105	101	72	67
Japan	207	201	187	196	195	439	609	801	654	520
SUBTOTAL	2499	2528	3667	3645	4058	2738	3391	3176	3503	3017
Sub-Balance of Trade						-239	-863	+491	+142	+1041
U.S.A.	18	12	23	54	83	505	573	980	526	580
Canada	8	17	7	4	3	78	137	148	243	86
Australia	1	2	2	1	5	182	252	130	202	137
New Zealand	1	1	2	1	1	60	50	109	88	22
Argentina	11	12	8	7	6	190	349	310	367	323
Brazil	7	2	44	4	42	83	138	148	93	161
TOTAL	2545	2574	3753	3716	4225	3836	4890	5001	5022	4326
Balance of Trade						-1291	-2316	-1248	-1306	-101

07/16/84
18:08:34

Leading items in U.S. imports for consumption from USSR in January-May 1984, 1981, 1982, 1983, January-May 1983, and January-May 1984

(In thousands of dollars; customs value)

TSUSA Number	Description	1981	1982	1983	January-May-- 1983	January-May-- 1984
4806540	Anhydrous ammonia	78,414	88,765	85,722	36,540	60,450
4751015	Light fuel oils a tcr 25deg	80,706	0	48,913	54	31,164
6050260	Palladium, palladium	31,142	24,836	41,849	13,991	29,806
4803000	Urea, nspf	0	10,434	38,913	20,667	27,335
6050750	Palladium bars plates etc	2,815	1,685	4,343	2,187	8,009
4805000	Potassium chloride or	0	4,600	4,134	2,288	6,642
1143000	Crabs fresh chilled frozen	0	2,107	12,790	1,497	5,644
1241045	Sable furskins, whole, raw	8,120	7,164	7,803	3,447	3,857
1693800	Vodka in containers not over	5,799	7,173	9,883	4,039	2,313
7650300	Paintings, pastels, drawings	96	115	3,102	86	1,953
6050710	Platinum bars,plts sheets nt	1,413	1,197	2,356	1,151	1,901
6063546	Ferosilicon cont ovr 30%	0	0	2,804	0	1,319
6050270	Rhodium, rhodium content	3,475	3,475	2,105	1,298	1,248
4800500	Limestone for fertilizer	0	0	2,210	1,114	1,205
6181000	Aluminum waste a scrap	2,996	0	0	0	1,093
2401440	Plywood, birch face not face	3,209	1,374	2,283	1,038	1,026
2452020	Hardboard, not face finished	1,977	1,569	1,359	386	950
4017415	Ortho-xylene	0	0	0	0	889
4209800	Sodium chromate and	78	712	1,013	610	534
1693700	Vodka in containers not over	1,406	2,173	1,220	531	467
4257000	Acetic acid	0	0	0	0	432
6050220	Platinum sponge platinum	4,626	3,961	3,003	978	422
4016400	Pseudocumene	0	0	0	0	394
1133000	Sturgeon roe frsh, chilled,	1,203	1,022	788	325	366
6923406	Tractors, wheel ex gardn new	1,017	7	735	332	331
7662560	Antiques nspf	485	526	1,005	750	330
6876610	Electronic receiving	0	275	452	208	328
6050760	Rhodium bars plates etc	0	332	1,478	0	308
2451000	Hardboard, n/face-finished	29	436	731	63	302
6052020	Gold bullion, refined	21,368	1,493	1,438	537	298
	Total	250,375	165,431	282,435	94,115	191,317
	Total, all items imported from USSR	357,424	228,792	341,093	106,927	195,780

Source: Compiled from official statistics of the U.S. Department of Commerce.

07/16/84
18:20:35

Leading items in U.S. domestic exports to USSR in January-May 1984, 1981, 1982, 1983, January-May 1983, and January-May 1984

(In thousands of dollars; f.a.s. value)

Sched B Number	Description	1981	1982	1983	January-May-- 1983	January-May-- 1984
1303465	Yellow corn, not donated for r--	781,675	818,768	390,915	138,161	631,982
1306540	Wheat, unmilled, not donated f--	772,563	802,182	800,584	496,522	358,501
3001060	Cotton, not carded, not combed--	0	67	61,338	37,528	94,305
4807025	Phosphoric acid, 65% or more a--	166,002	268,485	214,810	65,662	65,560
7905510	Pressure sensitive tape with a--	19,692	36,095	58,650	17,802	20,257
1775640	Tallow, inedible	48,509	17,887	21,505	8,798	19,879
1754100	Soybeans, except seed for plan--	8,432	171,264	157,162	47,806	14,039
1762520	Linseed oil, crude	6,080	0	0	0	9,127
1201400	Cattle hides, whole	0	0	10,575	4,557	8,553
6660586	Parts, nspf, of boring and dri--	156	20,003	12,978	11,966	7,841
6923840	Parts, nspf, of tractors, exce--	35,387	17,195	14,628	11,134	7,333
4754555	Insulating or transformer oils--	16,139	27,928	13,923	6,870	7,143
6923820	Parts, nspf, of tracklaying tr--	48,538	25,651	16,220	2,668	6,289
5175120	Petroleum coke, calcined	33,055	34,269	3,125	1,725	4,950
4461561	Synthetic rubber, not containi--	0	0	8,191	1,724	4,881
6605460	Parts, nspf, of industrial gas--	360	23	17,144	4,895	4,719
3094222	Rayon fibers in noncontinuous---	0	0	6,176	1,628	4,453
6660591	Parts, nspf, of earth-moving a--	2,189	1,947	5,166	1,198	2,696
3382600	Fabrics, woven, of manmade fib--	8,305	6,841	6,960	3,269	2,276
6660513	Drilling and boring machines,---	0	1,512	1,757	454	2,252
6016100	Zinc ore	0	0	0	0	2,235
6605440	Parts nspf of diesel engines f--	3,275	7,728	6,036	2	2,185
6052040	Bullion, silver content	0	0	3,454	0	2,035
6922985	Parts, nspf, of motor vehicles--	4,074	5,721	1,675	162	1,966
6603040	Parts, nspf, of steam turbines--	12	1,946	1,943	1,943	1,946
5176100	Electrodes, carbon or graphite--	423	1,569	1,197	579	1,355
6783512	Tire-building machines, includ--	4,732	0	0	0	1,198
6619880	Parts, nspf, of filtering and---	1,368	1,777	1,920	769	1,154
6660584	Parts, nspf, of oil and gas fi--	7,163	6,246	2,969	0	1,128
6055660	Platinum products, nspf, not r--	0	0	0	0	1,127
	Total	1,973,128	2,275,103	1,841,001	867,821	1,293,367
	Total, all items exported to USSR	2,338,818	2,588,975	2,001,951	927,558	1,323,496

Source: Compiled from official statistics of the U.S. Department of Commerce.

07/16/84
18:37:57

All items in U.S. domestic exports to USSR,
1981, 1982, 1983, January-May 1983, and January-May 1984

(In thousands of dollars; f.a.s. value)

SITC Number	Description	1981	1982	1983	January-May-- 1983	January-May-- 1984
0	Food & live animals	1,600,140	1,642,161	1,194,970	637,849	990,650
1	Beverages & tobacco	400	2,979	874	152	0
2	Crude mat'l--inedible,not fuel	59,350	214,249	264,583	103,371	128,812
3	Mineral fuels, lubricants, etc	62,840	90,013	22,571	9,253	12,104
4	Oils & fats--animal & veg prod	56,089	40,565	21,507	8,798	29,006
5	Chemicals	180,220	287,846	239,398	75,856	74,329
6	Man'd goods by chief material	32,871	25,961	29,755	9,121	7,678
7	Machinery & transport equip	300,814	225,458	149,452	56,774	55,569
8	Miscellaneous man'd articles	45,371	59,129	76,422	26,547	24,539
9	Commodities & transactions nec	722	614	2,419	637	808
	Total	2,338,818	2,588,975	2,001,951	927,558	1,323,496
	Total, all items exported to USSR	2,338,818	2,588,975	2,001,951	927,558	1,323,496

Source: Compiled from official statistics of the U.S. Department of Commerce.

07/16/84
18:31:35

All items in U.S. imports for consumption from USSR,
1981, 1982, 1983, January-May 1983, and January-May 1984

(In thousands of dollars; customs value)

SITC Number	Description	1981	1982	1983	January-May-- 1983	January-May-- 1984
0	Food & live animals	2,675	5,236	17,488	2,321	6,498
1	Beverages & tobacco	8,446	9,961	11,744	4,811	2,912
2	Crude mat'l--inedible,not fuel	17,820	9,511	11,481	5,260	6,810
3	Mineral fuels, lubricants, etc	106,795	10,356	55,968	54	31,164
4	Oils & fats--animal & veg prod	19	5	1	0	0
5	Chemicals	93,509	117,307	144,417	63,189	97,545
6	Man'd goods by chief material	100,241	60,555	88,031	27,463	46,321
7	Machinery & transport equip	2,387	1,579	3,382	1,346	1,032
8	Miscellaneous man'd articles	2,860	9,053	6,259	1,443	2,623
9	Commodities & transactions nec	22,673	5,230	2,322	1,040	875
	Total	357,424	228,792	341,093	106,927	195,780
	Total, all items imported from USSR	357,424	228,792	341,093	106,927	195,780

Source: Compiled from official statistics of the U.S. Department of Commerce.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME IX , No. 1 SEPTEMBER 2 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1984

Product	July 1984	Jan-July 1984	% Jan-July 1984 over % Jan-July 1983
Electricity (bil.kw.hrs)	111	860	105
Petroleum (incl. gas condensate) mil. tons	52.2	359	99.9
Natural gas (bil.cu.mtrs)	47.3	335	109
Coal (mil. tons)	58.8	420	99.7
Steel (mil. tons)	12.9	90.7	102
Fertilizer (mil.tons)	2.4	18.0	103
Metal-cutting tools (mil.rubles)	189	1384	109
Robots(100s)	0.9	7.8	139
Computer Tech (mil. rubles)	0.3	2.1	113
Automobiles (1000s)	110	771	101
Tractors (1000s)	4.0	29.3	103
Paper(1000 tons)	0.5	3.4	104
Cement (mil. tons)	10.9	75.8	102
Meat (mil.tons)	0.7	5.3	109
Margarine (1000 tons)	30.1	802	95
Watches(mils)	5.4	39.0	96
Radios(mils)	0.8	5.4	101
Television sets (millions)	0.7	5.2	105

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1984

On the whole, industrial production in the Soviet Union seems to be doing quite well. Surprisingly enough, economic growth seems to be comparable to or superior to that achieved last year at this time in most industries. There are very few exceptions. The most notable exception is petroleum. Petroleum production in July 1984 was only 99.9% of that of a year ago. In contrast, however, coal production in July was up 1.3%, even though for the whole 7 month period it is still a fraction below what it was for the 7 months of last year. Similarly, the cement industry seems to be somewhat less buoyant than it was a year ago, but otherwise most production growth indices are higher than they were last year. In an extreme case, gas production continues to be 9% ahead of where it was last year at this time. In contrast, last year natural gas production was up only 7%.

One of the most surprising reports is that the livestock herds or at least the chickens and some forms of cattle production, continue to be higher than they were last year. There is some slaughter going on among some types of cattle and among goats and sheep, but chicken and other kinds of cattle now exist in larger numbers than before. What is intriguing about that is the report that the Soviets are facing a very poor harvest this year. The desire to sustain those livestock herds is evidently one of the reasons why they are importing so much corn.

NEW CORPORATE SPONSOR SERIES

For the ninth year in a row, the Russian Research Center announces its Corporate Sponsor series. The first seminar of the year will focus on Energy in the Soviet Union. The session will take place on October 22nd, at the Harvard Faculty Club. We will examine the availability of energy supplies in the Soviet Union, and the impact of Soviet energy sales on the rest of the world.

A copy of the program is enclosed along with a registration form. There may be one or two speakers from the U.S. government who will be in attendance.

The RUSSIAN RESEARCH CENTER takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the author, Marshall I. Goldman

THE RUSSIAN RESEARCH CENTER 1984

JOURNALIST ORIENTATION

For the last three years, the Russian Research Center has sponsored an orientation designed primarily for journalists. The hope is to provide journalists with a general background about the Soviet Union to aid them in their covering of the news inside the Soviet Union, and their editing of the news in this country. Unlike our usual seminars we meet the whole day through dinner, and a discussion afterwards. The special guests this year will be David Shipler, author of a best-selling book on the Soviet Union, and a former bureau chief of the New York Times in Moscow; Marvin Kalb, who is the diplomatic correspondent for NBC News; and Samuel Rachlin. Mr. Rachlin is the Danish television correspondent in Moscow who is presently on leave at Harvard as a Nieman Foundation and Russian Research Center Fellow. The program is also included in this Newsletter, along with a registration form.

AMERICAN--EAST EUROPEAN TRADE BALANCES

It is noteworthy that the U.S. trade balance with Eastern Europe for the first six months of 1984 shows that the United States now has a negative trade balance. This first appeared in 1983, and it continues into 1984. This is largely due to the cutback in our exports to Poland, because of Soviet pressure on the Solidarity movement.

4 & see graphs p. 5

CURRENCY FIGURES

Rubles Purchased Per 100	Aug. 1983	July 1984	Aug. 1984
Austrian shilling	4.09	4.12	4.09
U.K. pound	114.87	107.80	108.72
W. German mark	28.73	28.93	28.71
U.S. dollar	75.50	82.50	83.15
French franc	9.55	9.43	9.36
Japanese yen	.311	.340	.338
Italian lira	.0482	.0472	.0467
Swiss franc	35.27	34.22	33.75

The currency exchange rates released by Gosplan for August 1984 reveal that over the course of one year the Japanese yen and the U.S. dollar have steadily increased while all others have shown a decrease, with the exception of the Austrian shilling and the West German mark, which have fluctuated but are essentially the same as a year ago. The U.K. pound shows the biggest drop.

THE SOVIET UNION

Poor harvest good news to US

Oil-rich Soviets undercut OPEC prices to get money to buy needed grain

By Marshall I. Goldman
Special to The Globe

Soviet foreign trade officials were very busy on July 27. In two seemingly unrelated moves, officials of the misnamed Exportkhleb (the Grain Export Trading Company) went into the grain market to purchase some more corn, while their counterparts in the Nafta (the Soviet Petroleum Export Company) reduced its export oil prices by $1.50 to $27.50 per barrel.

That undercut the price that OPEC (the Organization of Petroleum Exporting Countries) has been trying to sustain by 5 percent. It should be good news for American oil importers, who are affected not only by the impact of cuts on the general price level but by the lower prices on the approximately $100 million worth of oil the United States is likely to import from the Soviet Union this year.

This is not the first time the Soviets have undercut the world price. They did it consistently in the 1950s. In part, the price cutting precipitated the formation of OPEC by the oil producers. At the time, some Western officials saw Soviet actions as an effort to destabilize the major oil companies and even the existence of NATO. It turned out, however, that the Soviets found that the only way they could break into Western markets was to cut prices.

Their motives in lowering prices now are different. Since the Soviet Union is the world's largest oil producer and the world's second or third largest petroleum exporter, it has a vested interest in promoting higher petroleum prices. The higher the prices, the more hard currency the Soviet Union earns and the less it needs to export to earn the convertible currency it needs.

Since about 60 percent of its convertible currency is earned from the export of petroleum, petroleum price levels are no minor matter. That helps to explain why it is that the Soviet Union frequently finds it desirable to cheer on OPEC members when they raise prices and to reassure them when they worry about offending petroleum consumers. Although recently, OPEC's ability to raise prices has been diminished by the overproduction of its members and increased conservation by the world's consumers. Periodically, there have even been rumors that the Soviet Union might join in some OPEC-like group to curb oil production and thereby raise prices even more.

Given their interest in maximizing petroleum export revenues, why has the Soviet Union now taken the lead in cutting prices? In large part, the answer can be found in the announcement by US grain dealers that the Soviet Union has stepped up its purchases of grain. This means the Soviet Union has an additional need for convertible currency.

It is believed the Soviet Union will have to import 40 million tons of grain this year. This is predicated on the fact that this year's Soviet grain harvest will reach only about 180 million tons, about 60 million tons less than the 240-million ton goal. Inevitably, a share of the shortfall will have to come from the United States. Soviet purchases already have exceeded the 12 million ton maximum permitted by the most recent US-Soviet grain agreement. One American grain dealer says the Soviet Union already has obtained special permission from the US government to exceed the maximum, and he believes that they will have to import equally large amounts next year.

Since the Soviet Union has had six consecutive bad harvests, the need for such substantial imports is no surprise. However, the fact that they are buying so much from the United States is.

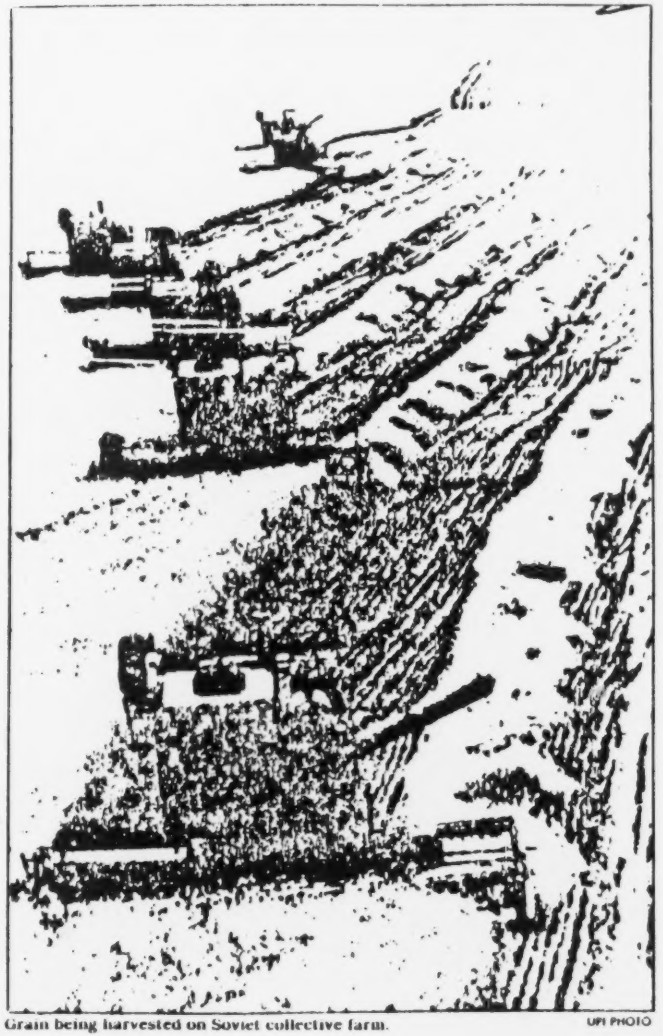
After the United States imposed a grain embargo as punishment for the Soviet invasion of Afghanistan, the Soviets purposely shifted most of their grain purchases elsewhere. Now it appears that the Soviets are in particular need of corn as animal feed. Fortunately for the United States, Argentina, Australia and Canada – the countries that have been supplying most of the grain bought by the Soviets – are not large producers of corn. Thus a large share of our most recent shipment to the Soviet Union has been corn. For the first five months of 1984, our corn shipments were almost $500 million higher than they were in a similar period last year. In the meanwhile, in a belt-tightening measure, the Soviet Union cut back by a combined total of about $300 million its first quarter grain imports (mostly wheat) from Canada, Australia and Argentina.

Another surprise about the Soviet purchase is that the Soviets have bought a record amount for July, August and September delivery. Normally, they import very little at that time of year because Soviet transportation facilities are congested from having to handle their own domestic harvest. Soviet imports this year thus suggest the Soviets are in grave need of such supplies – probably to prevent premature slaughter of their livestock.

In sum, the fact that the Soviet harvest is about 25 percent below expectations and that the Soviet Union at about the same time takes the lead in cutting petroleum prices is more than a coincidence.

The Soviets also took the lead in cutting petroleum prices in 1982. This helped to precipitate one of the most serious challenges to the OPEC price system since 1978, and again it coincided with a significant drop in the Soviet harvest. At some point, Soviet harvests should begin to increase, and energy demand may grow so that the Soviet Union may find that it can earn the extra petroleum revenue it needs without cutting prices. But for the time being, poor harvests in the Soviet Union are good not only for American farmers but also for oil consumers.

Marshall I. Goldman is professor of economics at Wellesley College and is acting director of the Russian Research Center.



Grain being harvested on Soviet collective farm. UPI PHOTO

U.S. domestic exports

(In thousands of dollars; f.a.s. value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
USSR							
0 Food & live animals	2,282,987	971,744	1,600,140	1,642,161	1,194,970	637,814	1,032,085
1 Beverages & tobacco	2,445	2,773	400	2,979	874	152	79
2 Crude matl--inedible,not fuel	584,166	56,187	59,350	214,249	264,583	132,921	140,548
3 Mineral fuels, lubricants, etc	23,436	26,473	62,840	90,013	22,571	12,858	13,793
4 Oils & fats--animal & veg prod	73,395	28,148	56,089	40,565	21,507	8,798	29,006
5 Chemicals	135,474	31,560	180,220	287,846	239,398	104,238	98,222
6 Mand goods by chief material	48,534	34,458	32,871	25,961	29,755	14,058	10,428
7 Machinery & transport equip	382,535	268,795	300,814	225,458	149,452	68,471	64,723
8 Miscellaneous mand articles	109,774	88,880	45,371	59,129	78,422	36,016	25,397
9 Commodities & transactions nec	1,076	708	722	614	2,419	696	1,073
Total	3,603,821	1,509,747	2,338,818	2,588,975	2,001,951	1,016,023	1,415,353

U.S. imports for consumption

(In thousands of dollars; customs value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
USSR							
0 Food & live animals	1,043	1,814	2,675	5,236	17,488	2,454	8,724
1 Beverages & tobacco	7,455	5,612	8,446	9,961	11,744	6,378	3,633
2 Crude matl--inedible,not fuel	33,151	15,503	17,820	9,511	11,481	6,487	7,119
3 Mineral fuels, lubricants, etc	16,113	11,232	108,795	10,356	55,968	54	39,096
4 Oils & fats--animal & veg prod	7	1/	19	5	1	0	1
5 Chemicals	67,626	148,038	93,509	117,307	144,417	67,259	109,893
6 Mand goods by chief material	161,189	125,812	100,241	60,555	88,031	35,210	53,452
7 Machinery & transport equip	4,409	3,444	2,387	1,579	3,382	1,557	1,064
8 Miscellaneous mand articles	32,128	29,843	2,860	9,053	8,259	1,669	2,699
9 Commodities & transactions nec	549,728	89,949	22,673	5,230	2,322	1,167	942
Total	872,849	431,246	357,424	228,792	341,093	122,235	224,622

U.S. domestic exports--Continued

(In thousands of dollars; f.a.s. value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
Eastern Europe							
0 Food & live animals	1,258,977	1,516,459	1,372,971	474,670	321,173	150,468	136,159
1 Beverages & tobacco	17,185	23,320	26,503	11,245	21,763	9,438	5,135
2 Crude matl--inedible,not fuel	385,352	335,508	176,576	206,588	254,519	167,695	212,326
3 Mineral fuels, lubricants, etc	35,621	81,752	41,107	17,399	16,201	5,190	10,644
4 Oils & fats--animal & veg prod	29,405	10,455	14,389	18,465	13,482	7,270	7,497
5 Chemicals	67,569	58,082	78,417	79,194	67,351	13,722	21,175
6 Mand goods by chief material	37,857	60,219	30,088	23,060	25,080	11,709	13,094
7 Machinery & transport equip	181,020	196,125	121,417	107,529	84,964	49,391	31,805
8 Miscellaneous mand articles	38,734	45,725	28,090	35,935	27,638	13,900	11,836
9 Commodities & transactions nec	4,466	5,288	8,472	24,301	44,525	18,542	22,447
Total	2,056,187	2,332,933	1,898,029	996,387	876,695	447,326	472,118

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports for consumption--Continued

(In thousands of dollars; customs value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
Eastern Europe							
0 Food & live animals	240,930	225,312	179,507	134,417	162,492	94,698	80,845
1 Beverages & tobacco	23,875	20,233	24,481	23,849	34,951	21,415	13,304
2 Crude matl--inedible,not fuel	20,158	14,587	14,858	9,329	9,584	5,671	4,335
3 Mineral fuels, lubricants, etc	76,962	55,623	151,759	99,431	281,788	94,477	238,676
4 Oils & fats--animal & veg prod	1,575	1,996	1,047	430	0	0	0
5 Chemicals	46,144	46,885	36,371	33,327	53,305	28,828	54,230
6 Mand goods by chief material	178,071	190,720	327,331	148,040	154,109	69,182	126,631
7 Machinery & transport equip	171,693	188,547	231,946	144,951	107,919	50,090	65,867
8 Miscellaneous mand articles	219,730	210,557	213,629	222,641	202,014	95,595	99,812
9 Commodities & transactions nec	3,840	2,193	3,937	7,275	4,318	1,239	2,261
Total	982,979	956,654	1,184,865	823,691	1,010,479	461,195	685,961

1/ Value or quantity less than 0.5.

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
FOR THE FIRST QUARTER OF 1984

(in million rubles)

	Exports from U.S.S.R.			Imports to U.S.S.R.		
	1982	1983	1984	1982	1983	1984
Bulgaria	1105	1357	1517	1134	1327	1405
Czechoslovakia	1161	1421	1563	1247	1341	1468
GDR	1358	1641	1754	1507	1607	1935
Hungary	838	952	1123	837	899	1005
Poland	1115	1258	1369	893	1187	1263
Romania	346	433	499	432	444	452
	5923	7062	7825	6050	6805	7528
	-127	+257	+297			

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME IX, No. 2 October 11, 1984

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1984

Product	August 1984	Jan.-Aug.'84	%Jan-Aug. 1983 over Jan.-Aug. 1984
Electricity (Bil.kw.hrs)	113	974	105
Petroleum (inc. gas condensate) (mil. tons)	51.9	411	99.7
Natural gas (bil.cu.mtrs)	48.1	383	109
Coal (mil.tons)	58.1	478	99.6
Steel (mil.tons)	12.9	104	102
Fertilizer (mil.tons)	2.6	20.6	104
Metal-cutting tools (mil. rubles)	198	1582	109
Robots (units)	1.0	9.0	136
Computer Technology (bil. rubles)	0.3	2.4	113
Tractors (1000s)	4.3	33.6	103
Paper (mil. tons)	0.5	3.9	104
Cement (mil. tons)	11.0	86.8	102
Meat (mil. tons)	0.8	6.1	109
Margarine (1000 tons)	87.0	889	95
Matches (mils.)	5.8	44.8	97
Radios (mils.)	0.8	6.2	102
Television sets (mils.)	0.8	6.0	105
Automobiles (1000s)	113	885	101

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1984

The Soviets continue to show production increases in most of their major industries at the rate reported early this year. The rate of growth is approximately the same as last year, although not quite as robust. In any case, it certainly is higher than it was during the Brezhnev period.

The Soviets continue, however, to have problems in petroleum. Production during August 1984 was .7 million tons lower than it was in August 1983. For the 8 months as a whole that is a drop of about 1½%. Looking at January - August 1984 production as indicated is just off a fraction, however, and is down by only one million tons.

Similarly, the Soviets are also having their continuing problems with coal production. Production was down almost one million tons in August 1984, compared with August 1983.

Given the Soviet Union's agricultural problems, they should start to show some drop in the growth of their livestock herd. Presumably the need to import so much grain during the summer months reflects the fact that they are short of grain to feed their cattle. There are now some indications that they are feeling some pressure. So far the sheep and goat herds have shown the biggest drop. They are down almost one million head, but that is not a large percentage given the fact that as of September 1st, the Soviets

reported 132 million head. Similarly, they report fewer cows than they did a year ago, although the drop again is even smaller. It now looks, however, as if they are experiencing some difficulty with their pigs. Whereas last year the pig herd increased 2.7 million head, this year it increased by less than one million in the month of September. The one area where they do show strength is in the increase of their total cattle herd. That actually increased in August 1984 more than it increased in August 1983.

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CURRENCY FIGURES

Rubles Purchased Per 100	Sept. 1983	Aug. 1984	Sept. 1984
Austrian shilling	4.06	4.09	3.98
U.K. pound	114.87	108.72	107.46
W. German mark	28.53	28.71	27.95
U.S. dollar	76.65	83.15	84.55
French franc	9.48	9.36	9.11
Japanese yen	.314	.338	.344
Italian lira	.0478	.0467	.0454
Swiss franc	35.08	33.75	33.73

The currency exchange rates released by Gosplan for September 1984 reveal that with the exception of the U.S. dollar and the Japanese yen, all other currencies have decreased over the past month and over the past year.

LAST CALL FOR SOVIET ENERGY CONFERENCE

Enclosed is the updated version of the October 22nd conference on Prospects for Soviet Energy. Those who are interested should call in addition to filling out an application form, as the conference is beginning to fill up. Please note that there has been an addition to the panel on Resource Potential: Donald Voss of the CIA will give his views on Soviet energy.

EASTERN EUROPE

Soviet fist evident in Honecker affair

By Marshall I. Goldman 9-9-84
Special to The Globe

It was too good to be true. The anticipated visit to West Germany by Erich Honecker, the president and Communist Party head of the German Democratic Republic (GDR), was to mark one of the most significant events in Europe since World War II.

To many Germans in both East and West, this would constitute not only the first official state visit of the head of East Germany to West Germany, but also the first step toward the reunification of Germany. There were few Germans in either East or West who were not swept up in the prospect of closer relations between the severed countries.

To others in Eastern Europe, the boldness of the East German move promised to open up the way to a more relaxed and more closely integrated Europe. There would be less cold war and more openness, even neutrality.

To the United States, the nervousness about a more neutral West Germany was

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more than offset by the image of a more independent Eastern Europe.

To the Soviet Union, however, the vision of Honecker visiting Helmut Kohl, the chancellor of West Germany, in Bonn was a dreaded nightmare. Such a visit could and probably would signal the collapse of the key component in Soviet postwar policy, the division of Germany. After World War II, the Soviets were determined to do all they could to ensure that they would never again be subject to a German invasion. In their minds, the best way to prevent such an invasion was to weaken Germany by dividing it permanently into two halves and making the eastern half subservient to Soviet policy.

Soviets call the shot

Because the Soviets had suffered from two German invasions in this century, they were even more concerned about the Germans than they were about any international jostling for power with the United States. The ultimate attack on President Ronald Reagan was to call him "the Hitlerite Reagan."

As the date for the trip approached, the Soviets saw the visit as the first step

GERMANY, Page A92

Germany

Continued from Page 89

toward a reunited and ultimately a militarily dangerous Germany. The decision to call off the visit was most certainly imposed on Honecker by the Soviets. They had been hinting since early summer that Honecker should cancel the trip, but to their growing irritation, relations between East and West Germany seemed to become warmer.

Among other developments, the West Germans provided the financially strapped East Germans with another big loan, this one for $330 million. Shortly thereafter, travel, trade and immigration arrangements between the two Germanies improved, as did the general mood.

This warming of relations between the two Germanies was particularly embarrassing for the Soviets, who had warned West Germany that if it permitted the installation of US Pershing II missiles on its soil, the Soviets would intensify the Cold War.

But because Moscow was distracted by its own domestic political difficulties, much of this took place – until recently – without significant response from the Soviet leadership. With three leadership changes in less than two years and rumors that Konstantin Chernenko's infirmities would necessitate yet a fourth change in the leadership, there was plenty to occupy Soviet Politburo members. For those with a long perspective, changes of leadership in the Soviet Union also herald symbiotic political reactions in Eastern Europe. That was true in Berlin and Poland after Stalin's death and in Czechoslovakia after Khrushchev's ouster.

Nor was the testing of Soviet restraints limited to East Germany. In fact, almost everyone in the East European bloc except Czechoslovakia seemed to become emboldened. The Soviets had long been accustomed to criticism and maverick behavior from Romania's Nicolae Ceausescu, who had been pursuing an independent mind for some time, and it mattered not when he issued a call for a nuclear-free Central Europe (free not only of American, but also of Soviet missiles), violated the Soviet boycott of the Olympics in Los Angeles and announced his own visit to West Germany. Under Stalin, no such nonsense would have been tolerated, but so long as Romania was the only discordant note, it could be allowed.

But, as the Soviets see it, the rot seems to be spreading.

Signs of new independence

Almost all of Romania's neighbors (again, except Czechoslovakia) had begun to try a little something unusual. Let Hungary experiment with its economic reforms. However, now Bulgaria – Bulgaria, the most subservient of all the Soviet Union's subordinates – is also experimenting with its economy and seeking to enhance its trade ties with the West.

If that were not enough, Todor Zhivkov, head of the Bulgarian Communist Party, also decided to visit West Germany. That would mean three such visits by East European leaders in September and October.

On top of everything else, the Soviet Union finds itself with a growing peace movement within its own ranks. Several of the East Europeans took to heart the

Soviet warnings about the installation of missiles in Western Europe. But if the installation of US missiles in Western Europe posed a danger to the West Europeans, by the same reasoning the installation of Soviet missiles in Eastern Europe posed a danger to the East Europeans. So peace groups, albeit limited in size and influence, have sprung up in East Germany, Hungary and even Czechoslovakia.

Then there is Poland. Gen. Wojciech Jaruzelski was not contemplating a visit to Bonn, but the Polish animosity for everything associated with the Soviet Union was so great that Jaruzelski's generally compliant behavior was hardly much consolation. No wonder the Soviets have suddenly become concerned.

What a change from the good old days of Stalin and even Khrushchev. Then, any deviation was quickly penalized. With Antonin Novotny in Czechoslovakia, Walter Ulbricht in East Germany and Wladyslaw Gomulka in Poland, the Soviets knew they could count on a solid hard core. Today only Czechoslovakia's Gustav Husak can be counted upon to echo Soviet complaints about East European countries that "allow national interests" rather than "socialist internationalism" to determine their policies. As recently as 1980, the Soviets could also count on the East German press to run articles critical of such deviation.

In Soviet eyes, nationalism is one of the most serious crimes within the Communist bloc. To see it grow this way is obviously unsettling. Even more threatening is the possibility that deviations of this sort can spread over into the Soviet Union itself. Just last month, the interior minister of the Soviet Union, Col. Gen. Vitaly Fedorchuk, the former head of the KGB, denounced the growing nationalist sentiment in the Soviet Republic of Estonia.

And in all likelihood we have not seen the last of the Soviet fist. Given the cancellation of Honecker's visit, the Soviets will probably also force Zhivkov to cancel his visit. Yet as long as Soviet leadership itself is unsettled, and as long as the East Europeans feel they have more to gain by seeking out Western contact than by ignoring it, the East Europeans will continue to push westward.